



**The Medical University of South Carolina**  
Charleston, South Carolina

**Comprehensive Annual Financial Report**  
For the Year Ended June 30, 2018

**A component unit of the State of South Carolina**

This Comprehensive Annual Financial Report is also available from the  
The Medical University of South Carolina website:

<http://academicdepartments.musc.edu/vpfa/financialreports>

Adobe Acrobat reader is required to read the pdf file.

Prepared by:  
MUSC Controller's Office  
19 Hagood Avenue, Suite 505  
MSC 817  
Charleston, SC 29425-8170  
843-792-5400

Cover: Ashley River Tower at dusk – photo by Frank Ooms



Changing What's Possible

**Charleston, South Carolina**

# **Comprehensive Annual Financial Report**

A component unit of the State of South Carolina

**For the Year Ended June 30, 2018**

**Prepared by the Controller's Office**

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# **Introductory Section**



## PRESIDENT'S LETTER

Office of the President  
Colcock Hall  
179 Ashley Ave.  
MSC 001  
Charleston, SC 29425

October 1, 2018



Dear Friends:

It is a pleasure to present you with this summary financial report for the past fiscal year at the Medical University of South Carolina. Each year, MUSC serves millions of individuals, families, businesses and communities with one overarching vision, leading health innovation for the lives we touch. To this end, we will continue to *change what's possible* nationally and globally. When it comes to our five strategic goals for achieving our vision, there have been many noteworthy accomplishments this past year, as follows:

### Patients and Families First

The clinical enterprise continues to prosper and receive widespread recognition. MUSC Health was ranked as a “best hospital” for five programs in the U.S. News & World Report’s 2016-2017 edition of America’s Best Hospitals. In addition to this recognition, MUSC received the 2017 Leape Ahead Award for resident safety reporting and the State of South Carolina Baldrige Bronze award. MUSC continues to remain the only National Cancer Institute-designated Cancer Center in South Carolina.

As we prepare for the future, the MUSC Shawn Jenkins Children’s Hospital and Pearl Tourville Women’s Pavilion is scheduled to open in 2019. The new facility will be the most advanced hospital of its kind in the area, transforming care for mothers, children and families throughout the region.

### Build Healthy Communities

The Medical University of South Carolina has been awarded a \$600,000 grant from the Health Resources and Services Administration, an agency of the U.S. Department of Health and Human Services. The award marks MUSC as one of only two national Telehealth Centers of Excellence in the United States. As a national telehealth coordinating center, MUSC will continue to provide a range of telehealth services at more than 200 locations statewide, leading and modeling the way for health care delivery through advanced technology.

MUSC not only strives to improve the health of our patients and those we serve, but we are committed to our own health as an MUSC family. As a result, MUSC launched *Imagine U, Building Well-being Together*, its first healthy lifestyle program for its employees. In the first few months of launching, more than 80% of employees engaged with the program, and that number continues to climb.

### Innovative Learning

MUSC is committed to addressing the health care provider shortage across our state and country by prioritizing our commitment to lifelong learning. Our College of Medicine recently announced a new FLEX curriculum, which includes a three-year medical degree track. This new offering is the state’s first and only program that permits a select cohort of mature, academically gifted students to earn their M.D. in three years instead of four.

As another example of MUSC’s commitment to innovative learning, in collaboration with Clemson University, MUSC created the first-ever joint Ph.D. degree in Biomedical Data Science and Informatics, as well as developed nine accelerated pathway programs.

### Diversity and Inclusion

In the area of diversity and inclusion, MUSC was proudly recognized with two national awards that support our commitment to this important endeavor:

1. MUSC received the 2017 Health Professions Higher Education Excellence in Diversity (HEED) Award from INSIGHT into Diversity Magazine, the oldest and largest diversity-focused publication in higher education.
2. Forbe’s Magazine recognized MUSC as a model organization that champions diversity and inclusion. MUSC ranked No. 53 out of 250 organizations on the Forbes 2018 list of America’s Best Employers for Diversity.

In our clinical enterprise, 12 percent of administrators, directors, and managers are members of a racial or ethnic minority group, reflecting more robust diversity in its leadership than ever before. According to data from our annual employee Press Ganey survey, MUSC continues to achieve high rates of agreement among its employees on items that relate to diversity and inclusion, including “This organization values employees from different backgrounds” (89 percent agree). Press Ganey also estimates that among peers, MUSC ranks in the top 30% for its culture of diversity and inclusion.



Scientific Discoveries

As the leading biomedical research center in South Carolina, MUSC's extramural research funding is tracking to reach a new record well over the \$260 million mark. In cancer research, Mark Rubinstein, Ph.D., and John Wrangle, M.D., have designed a first of its kind immunotherapy clinical trial for non-small cell lung cancer, that is showing great promise of success.

In addition, through MUSC's partnership with Clemson, we have developed a high-fidelity mock operating room that will reshape the future of how we can learn and provide care. The effort has received NIH funding and national attention by the Wall Street Journal.

MUSC's strength has always been found in the quality and commitment of its faculty, staff and students. We continue to embrace a culture of compassion, respect, innovation, collaboration, and integrity; it is those institutional values that keep us focused on reaching our goals and creating new ones to achieve our vision. We face the future with great pride in our accomplishments and look forward to even greater challenges that test our potential.

Yours in service,

A handwritten signature in black ink, appearing to read 'DJ Cole MD', written in a cursive style.

David J. Cole, MD, FACS  
President



## **TRANSMITTAL LETTER**

Office of the Executive Vice President  
Finance and Operations  
104 Colcock Hall  
179 Ashley Avenue  
MSC 003  
Charleston, SC 29425

October 1, 2018

President David J. Cole, MD, FACS  
Members of the Board of Trustees  
Charleston, South Carolina

We are pleased to present the Comprehensive Annual Financial Report for The Medical University of South Carolina (the University) for the fiscal year ended June 30, 2018.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2018, and other information relating to the finances of the University. The financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants; however, responsibility for the accuracy of the information and for the completeness and reliability of its presentation rests with the management of the University. We believe this information is accurate in all material respects and fairly presents the University's financial position.

Management has established a comprehensive internal control framework designed to safeguard the assets of the University and its component units, to provide reliable accounting data and to ensure that organizational objectives are met. Policies and procedures have been established and made available throughout the organization to promote efficiency and compliance with established laws and regulations at University, State and federal levels. As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations related to these awards. Therefore, an annual single audit is performed in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Uniform Guidance (under separate cover).

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. The University has designed into the process safeguards to reduce, though not eliminate, this risk.

Generally accepted accounting principles (GAAP) require that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which provides an overview and analysis of currently known facts and activities.

### ***Profile of the University***

The University is a part of the primary government of the state of South Carolina and is included as a discretely presented component unit in the State's Comprehensive Annual Financial Report.

The University, located in Charleston, South Carolina, was created by an act of the General Assembly in 1824 as the "Medical College of South Carolina." Historically, it is recognized as the first medical college in the South. The University is governed by a sixteen-member Board of Trustees consisting of the Governor or his designee (ex officio), fourteen members elected by the General Assembly, and two members appointed by the Governor. As determined by the Board, the University's purpose is to preserve and optimize human life for the citizens of South Carolina and the nation through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The financial reporting entity consists of the University (the primary government), and seven separate legal entities, which are considered component units of the University. The seven component units consist of:

- One blended major fund entity, the University Medical Associates of the Medical University of South Carolina (UMA);
- Two blended non-major fund entities, CHS Development Company (CHS) and the Medical University Facilities Corporation (MUFC);
- One major discretely presented entity, the Medical University Hospital Authority (the Authority), and
- Three non-major discretely presented entities, the MUSC Foundation (MUSCF), the MUSC Foundation for Research Development (MFRD), and MUSC Strategic Ventures (MSV).

Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

The South Carolina Department of Administration requires the University to submit an annual balanced budget. The University and its component units also prepare annual budgets for presentation to the Board of Trustees. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and the State level.

The University contracted with KPMG LLP, a firm of licensed certified public accountants, to perform the annual audit of the Medical University of South Carolina's financial statements and the audit of the University's federal financial assistance programs. The goal of the independent financial audit is to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2018 are free of material misstatement. Based on their audit and the reports of other auditors, the independent auditor has rendered unmodified opinions that the Medical University of South Carolina's financial statements for the year ended June 30, 2018 are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report. Information on the Single Audit of federal financial assistance programs is included in a separately issued Single Audit Report.

Additionally, the University's Internal Audit department performs fiscal, compliance and performance audits throughout the year. The reports resulting from these audits are shared with the University's management and the Board of Trustees.

### ***Factors Affecting Financial Condition***

The University employs approximately 5,400 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the University System, with more than 14,000 employees, is one of the largest employers in the State system and a major employer in the Charleston Tri-County area. The size of the University's student body is relatively stable, with fiscal year 2018 enrollment of more than 3,000 full and part-time students in six colleges and more than 750 graduate health professional residents.

### **Local Economy**

Economic factors on both the national and state levels impact the environment in which the University operates. State tax and revenue collections continue to rebound from the lows reached in 2010. South Carolina's unemployment rate at the end of June 2018 was 3.8 percent, which was .2 percent below the national average of 4.0 percent. A recent study conducted by the Charleston Metro Chamber of Commerce's Center for Business Research found that the University has an economic impact of \$3.8 billion in the Charleston metropolitan area and supports nearly 28,000 jobs.

South Carolina's economic conditions improved during fiscal year 2018. The State's actual revenues increased by 7% over prior year revenues. The total General Fund revenue collections in fiscal year 2018 were \$8.1 billion. The State completed the fiscal year with a \$177 million budgetary General Fund surplus. Despite improved economic conditions, the State has continuing challenges with funding retirement benefit obligations to public employees.

### **Long-term Financial Planning**

As the global economy began to strengthen in the past year, MUSC took proactive steps to allocate funds conservatively and reduce spending. Below are just a few highlights from the University's fiscal year 2018 operating budget:

- The University received \$96 million in student tuition and fees.
- The University's extramural research funding awarded was just over \$275 million.
- The University ended the fiscal year with \$74 million in private charitable donations.

The University successfully transitioned to a new funding model (Responsibility Centered Management) in fiscal year 2013 to promote transparency and to provide a structure for an integrated and longer-term planning process. As we look to the future, MUSC will work together to collectively refine the missions - education, research, and clinical care - and the many issues, challenges, and opportunities that fall within each of these areas. For education, MUSC will determine how to provide the highest quality of education to the students, while keeping tuition as low as possible. For the research mission, MUSC plans to foster partnerships outside of academia and has invested in the Foundation for Research Development and the Center of Innovation and Entrepreneurship. MUSC will continue to recruit SmartState chairs and grow its research profile and national ranking, despite the competitive research funding environment. With respect to the clinical mission, MUHA received \$42 million in State support for disproportionate share, telemedicine, the burn unit, and a statewide teaching partnership. MUSC will continue to provide the very highest quality of patient care in the midst of health care reform and reductions in Medicaid reimbursements.

## Major Initiatives

The University's pursuit of excellence in education, research, and patient care has played an integral part in the many achievements of its faculty and staff. The University recognizes its obligations to the citizens of South Carolina and is committed to responding to their need for the highest quality education, improved health care delivery, and increased research endeavors. To address these needs, the University is focused on the integration of its education, research, and clinical care activities to prepare a healthcare workforce with emphasis on inter-professional education and teamwork.

The University continues to recruit outstanding faculty and to expand its educational and research facilities. Drawing on the varied skills, abilities and knowledge in an integrated team approach across all education, research and clinical care activities has resulted in outstanding achievements. Our strategic plan, *Imagine MUSC 2020*, specifies goals that allow MUSC as both an academic institution and a healthcare organization to achieve its vision of leading health innovation for the lives we touch. The five goals capture our tripartite mission of education, research, and clinical care. There have been many noteworthy accomplishments this past year as follows:

### Patients and Families First

- A Letter of Intent was signed by the Shriners Hospitals for Children to facilitate collaboration on development of a pediatric burn unit to be located within the new MUSC Shawn Jenkins Children's Hospital.
- MUSC has launched the State's first-ever pain rehabilitation program, an intensive, evidenced-based program to serve all of South Carolina and rehabilitate patients with chronic pain while tapering and eliminating opioid use.

### Innovative Education and Learning

- MUSC created a team-based "escape room" computer game to engage students to work together to solve clinically relevant issues. The game was introduced to over 700 students at MUSC's Interprofessional Day, where students from different academic programs learn with, from, and about each other.
- MUSC hosted an enterprise-wide Science Communication Forum. The interactive event empowered researchers to advocate for their science with a variety of audiences including sponsors, policymakers, journalists, the public and other scientists.

### Diversity and Inclusion

- MUSC ranked No. 53 out of 250 organizations on the Forbes 2018 first-ever roster of America's Best Employers for Diversity. In addition, MUSC ranked No. 6 out of 20 institutions in the education industry.
- MUSC Health was named Best New Program of the Carolinas by Virginia Supplier Diversity Council for contracting small-, minority-, and women-owned and businesses for the construction of the MUSC Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion.

### Healthy Communities

- MUSC was recognized by the South Carolina Hospital Association's Working Well initiative for being one of the first organizations to achieve the Strategy for Wellbeing Platinum award for excellence in workplace wellbeing.
- MUSC celebrated Phase I of the Greenway in collaboration with the City of Charleston, Roper Hospital and the Ralph H. Johnson VA Medical Center. With the thoughtful design of this space, it will create a live-learn community.

### Scientific Discoveries

- A joint research team, including faculty from Clemson University and the Medical University of South Carolina, has unveiled a high-fidelity, mock operating room at the Clemson Design Center in Charleston. The goal of the project is to analyze every aspect of current operating rooms and redesign the standard with efficiency and improved patient care in mind.
- Statisticians at MUSC played a role in a study that found advances in brain imaging can identify more stroke patients who can receive therapy later than previously thought. Researchers call the results striking and say they will have immediate impact and save people from life-long disability or death.

## **Awards and Acknowledgements**

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twenty-fifth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controller's Office and other University financial staff. We would like to thank each member for their contributions.

Sincerely,



Lisa P. Montgomery, MHA  
Executive Vice President for Finance and Operations



Patrick J. Wamsley, CPA  
Chief Financial Officer



Susan F. Edwards, CPA  
Controller



Sharon S. Williams, CPA, MSA, CGMA  
Director, Financial Reporting



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**The Medical University  
of South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO

## **BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS**

***July 1, 2017 – June 30, 2018***

### ***Board of Trustees***

The Hon. Henry McMaster <i>Governor</i>	Donald R. Johnson, II, M.D. <i>Chairman</i> <i>Charleston, SC</i>	William H. Bingham, Sr., P.E. <i>Vice Chairman</i> <i>Cayce-West Columbia, SC</i>
Richard M. Christian, Jr., M.D. <i>Greenwood, SC</i>	William A. Baker, Jr., MBA (b) <i>Charleston, SC</i>	Terri R. Barnes, B.S. <i>Rock Hill, SC</i>
Charles W. Schulze, CFE, CPA <i>Greenwood, SC</i>	C. Guy Castles, III, M.D. (a) <i>Columbia, SC</i>	Thomas L. Stephenson, J.D. <i>Greenville, SC</i>
Charles B. Thomas, Jr., M.D. <i>Greenville, SC</i>	James Lemon, D.M.D. <i>Columbia, SC</i>	Barbara Johnson-Williams, MEd, EdS <i>Orangeburg, SC</i>
Paul T. Davis, D.M.D. <i>Florence, SC</i>	James A. Battle, MBA <i>Nichols, SC</i>	Michael E. Stavrinakis, B.S. <i>Charleston, SC</i>
W. Melvin Brown, III, M.D. <i>Charleston, SC</i>	G. Murrell Smith, Sr., M.D. <i>Sumter, SC</i>	

- (a) *Governor's designee*  
(b) *Governor's at-large appointee*

### **Emerita/Emeritus & Secretary**

Margaret M. Addison, M.Ed. <i>Emerita</i> <i>Holly Hill, SC</i>	Thomas C. Rowland, Jr., M.D. <i>Emeritus</i> <i>Georgetown, SC</i>	Allen E. Stalvey, MBA <i>Emeritus</i> <i>Columbia, SC</i>
James E. Wiseman, D.M.D. <i>Emeritus</i> <i>Prosperity, SC</i>	Mark C. Sweatman, MPA <i>Secretary</i> <i>Columbia, SC</i>	Stanley C. Baker, Jr., M.D. <i>Emeritus</i> <i>Greenwood, SC</i>
Cotesworth P. Fishburne, Jr., D.D.S. <i>Emeritus</i> <i>Rock Hill, SC</i>		

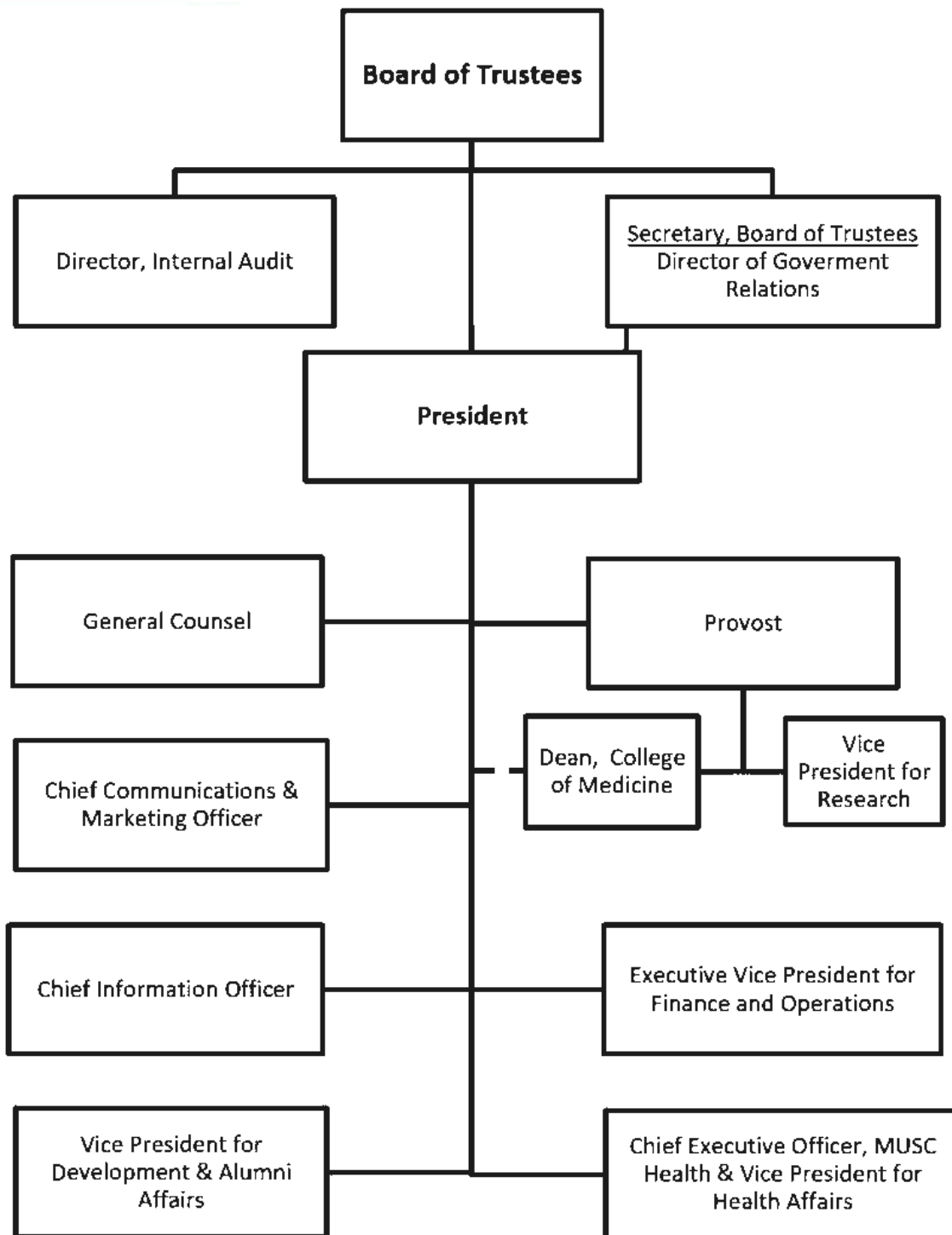
### ***Officers of the Medical University of South Carolina***

David J. Cole, M.D., FACS <i>President</i>	Lisa K. Saladin, PT, Ph.D. <i>Executive Vice President for</i> <i>Academic Affairs and Provost</i>	Lisa P. Montgomery, MHA <i>Executive Vice President for</i> <i>Finance and Operations</i>
Patrick J. Cawley, M.D., MHM, FACHE <i>CEO, MUSC Health and</i> <i>Vice President for Health Affairs,</i> <i>University</i>	Annette Drachman, MHA, J.D <i>General Counsel</i>	Linda Cox <i>Vice President</i> <i>Development (Interim)</i>
Michael Caputo, MS <i>Chief Information Officer</i>	Sheila Champlin <i>Chief Communications</i> <i>&amp; Marketing Officer</i>	Kathleen Brady, M.D., Ph.D. <i>Vice President for Research</i>

### ***Deans***

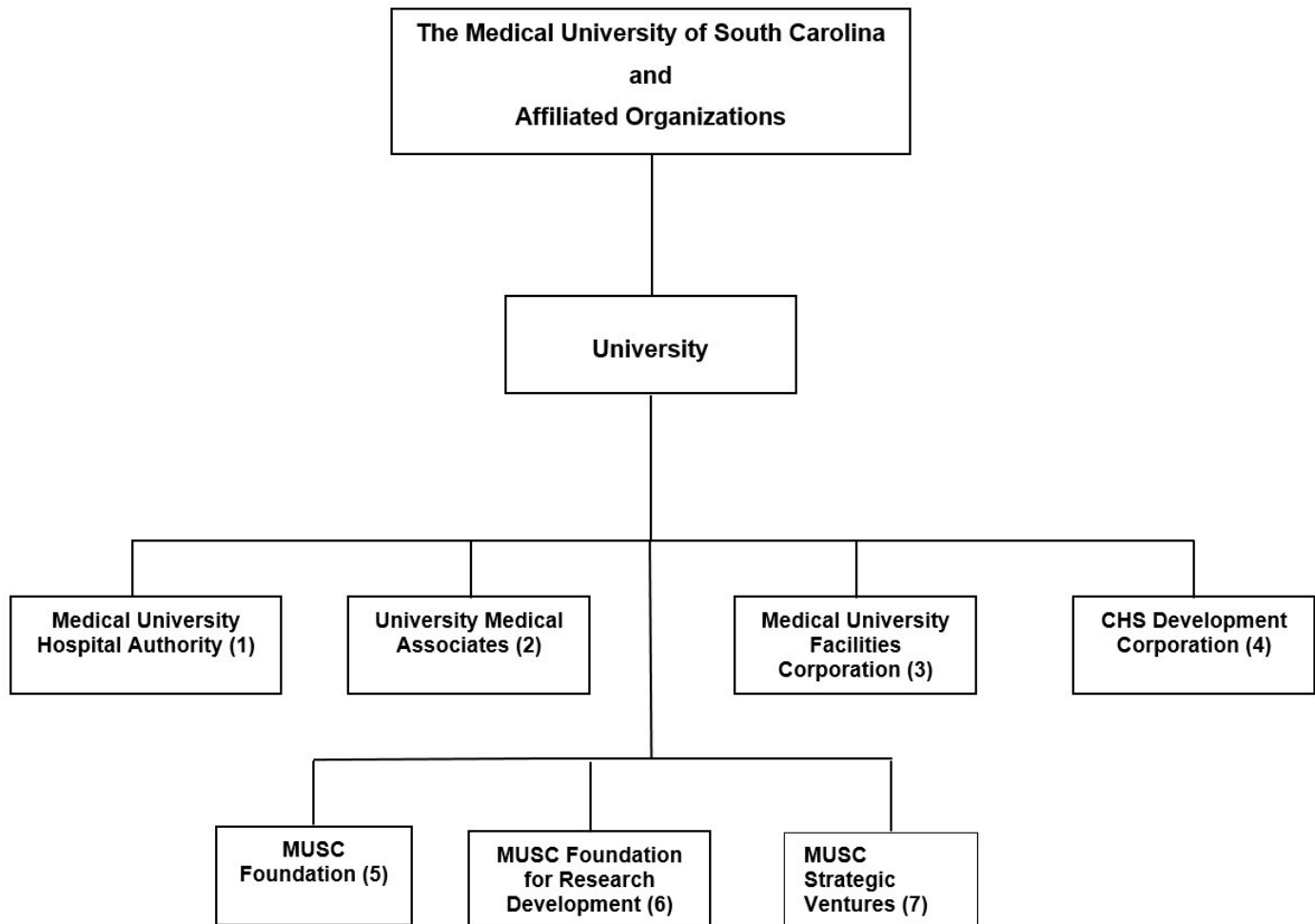
Raymond Dubois, M.D., Ph.D. <i>College of Medicine</i>	Philip D. Hall, Pharm. D <i>College of Pharmacy</i>	Zoher Kapasi, PT, Ph.D., MBA <i>College of Health Professions</i>
Linda S. Weglicki, Ph.D., RN <i>College of Nursing</i>	Paula Traktman, Ph.D. <i>College of Graduate Studies</i>	Sarandeep S. Huja, D.D.S., Ph. D <i>College of Dental Medicine</i>

## ORGANIZATION CHART





## THE MEDICAL UNIVERSITY AND AFFILIATED ORGANIZATIONS



### Notes:

1. The Medical University Hospital Authority (MUHA) was formed in June, 2000 to manage and operate the hospitals and clinics of the University.
2. University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.
3. Medical University Facilities Corporation (MUFC) is a non-profit corporation established in fiscal year 1992 to obtain financing for the University to acquire real property.
4. CHS Development Corporation (CHS) is a non-profit corporation established in fiscal year 2003 to obtain financing for the University to acquire and develop real property.
5. The MUSC Foundation (MUSCF) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation.
6. The MUSC Foundation for Research Development (MFRD) is a non-profit corporation established in 1995 to manage the University's intellectual property and technology marketing and to foster cooperation between the University and business and industry.
7. MUSC Strategic Ventures (MSV) was formed in September 2015 to allow affiliation with tax exempt entities to support the missions and programs of The Medical University of South Carolina, UMA and MUHA.

# **Financial Section**





KPMG LLP  
Suite 400  
300 North Greene Street  
Greensboro, NC 27401

## **Independent Auditors' Report**

The Board of Trustees  
Medical University of South Carolina  
Charleston, South Carolina:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the major fund, the aggregate remaining fund information, and the discretely presented component units of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, which each respectively represent 100% of total assets and deferred outflows and 100% of total revenue of the respective discretely presented component unit for the year then ended. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the business-type activities, the major fund, the aggregate remaining fund information, and the discretely presented component units of the Medical University of South Carolina, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As discussed in note 2 to the basic financial statements, the University adopted, in fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a replacement of GASB Statement No. 45, which resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of the University's & Authority's proportionate share of the net pension liability to the South Carolina Public Employee Benefit Authority (PEBA), schedule of University's & Authority's contributions to PEBA, schedule of the University's & Authority's proportionate share of the net OPEB liability to PEBA, and schedule of changes in UMA's net OPEB liability and related ratios on pages 22 through 31 and 93 through 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining nonmajor enterprise fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor enterprise fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor enterprise fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

October 1, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information (unaudited)

### Introduction

The management of The Medical University of South Carolina offers readers of the financial statements this narrative overview and analysis of the financial position and activities of The Medical University of South Carolina for the fiscal year ended June 30, 2018 with selected comparative information for the year ended June 30, 2017. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and the blended component unit that is reported as a major fund, University Medical Associates (UMA). This discussion should be read in conjunction with our letter of transmittal in the introductory section of this report and with the accompanying financial statements and notes.

### Financial Highlights

At June 30, 2018, total assets and deferred outflows reported by the University were \$937.7 million and \$97.7 million respectively and total liabilities and deferred inflows were \$1,159.5 million and \$41.6 million respectively. Net position, which represents the residual interest in the University's assets after liabilities are deducted, decreased \$475.4 million in fiscal year 2018 from \$309.8 to \$(165.6) million. Of the total net position, \$(675.5) million represents unrestricted net position. The University's operating revenues for the fiscal year 2018 increased \$44.8 million, or 8.7 percent, from fiscal year 2017 to \$559.4 million. Operating expenses increased by \$53.1 million, or 7.4% percent, from fiscal year 2017 to \$771.4 million. Net non-operating revenues for fiscal year 2018 were \$115.1 million, as compared to \$122.2 million for fiscal year 2017.

At June 30, 2018, UMA reported total assets and deferred outflows of \$382.1 million and \$12.7 million respectively and total liabilities and deferred inflows of \$122.8 million. Net position was \$271.9 million, an increase of \$28.4 million, or 11.7% percent, from the previous year's net position of \$243.5 million. Of this amount, \$216.6 million represents unrestricted net position which is available to meet UMA's ongoing obligations. UMA's operating revenues for the fiscal year 2018 increased \$33.6 million, or 8.4% percent, from fiscal year 2017 to \$433.1 million. Operating expenses increased by \$11.2 million, or 3.5% percent, over fiscal year 2017 to \$328.6 million. Net non-operating revenues for fiscal year 2018 were \$4.7 million, as compared to \$2.7 million for fiscal year 2017.

### Overview of the Financial Statements

The financial report includes three financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles as prescribed in GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*. This statement establishes standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on an entity-wide basis to focus on the University as a whole rather than on individual fund groups.

### Statement of Net Position

The Statement of Net Position presents the financial position as of the end of the fiscal year and includes all assets, liabilities, deferred outflows, and deferred inflows of the entity. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation. The difference between total assets and deferred outflows, and total liabilities and deferred inflows (net position) is one indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure.

Net position is classified into components as follows:

- Net investment in capital assets represents the investment in property, plant, and equipment less any related debt used to acquire those assets.
- Restricted nonexpendable net position consist of the University's permanent endowment funds.
- Restricted expendable net position is available for expenditure, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position is available for any lawful purpose of the entity.

**Unaudited**

**Summary of Net Position**

Amounts in thousands

	The University		University Medical Associates		Nonmajor Enterprise Funds	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets	\$ 363,207	\$ 334,492	\$ 265,437	\$ 228,107	\$ 3,066	\$ 2,983
Noncurrent assets						
Capital assets, net	441,982	467,239	93,557	95,634	—	—
Other assets	132,558	132,550	23,062	26,285	10,118	11,707
Non-current assets	574,540	599,789	116,620	121,919	10,118	11,707
Deferred outflows	97,717	73,903	12,658	17,778	200	258
Total assets & deferred outflows	1,035,464	1,008,184	394,715	367,804	13,384	14,948
<b>Liabilities</b>						
Current liabilities	118,924	113,030	49,573	45,244	1,715	1,688
Noncurrent liabilities	1,040,615	584,823	73,167	79,048	10,460	12,040
Deferred inflows	41,573	534	75	—	—	—
Total liabilities & deferred inflows	1,201,112	698,387	122,816	124,292	12,175	13,728
<b>Net Position</b>						
Net investment in capital assets	318,787	335,944	55,298	55,300	—	—
Restricted						
Nonexpendable	91,315	90,977	—	—	—	—
Expendable	99,702	93,063	—	—	1,209	1,220
Unrestricted - as restated (Note 2)	(675,452)	(210,187)	216,601	188,212	—	—
Total net position	\$ (165,648)	\$ 309,797	\$ 271,899	\$ 243,512	\$ 1,209	\$ 1,220
	Interfund Capital Lease Eliminations		Total Primary Government			
	2018	2017	2018	2017		
<b>Assets</b>						
Current assets	\$ (1,433)	\$ (1,372)	\$ 630,278	\$ 564,210		
Noncurrent assets						
Capital assets, net	—	—	535,540	562,873		
Other assets	(9,410)	(10,843)	156,327	159,699		
Non-current assets	(9,410)	(10,843)	691,867	722,572		
Deferred outflows	—	—	110,575	91,940		
Total assets & deferred outflows	(10,843)	(12,215)	1,432,720	1,378,722		
<b>Liabilities</b>						
Current liabilities	(1,433)	(1,372)	168,780	158,590		
Noncurrent liabilities	(9,410)	(10,843)	1,114,832	665,068		
Deferred inflows	—	—	41,648	534		
Total liabilities & deferred inflows	(10,843)	(12,215)	1,325,261	824,192		
<b>Net Position</b>						
Net investment in capital assets	—	—	374,086	391,244		
Restricted						
Nonexpendable	—	—	91,315	\$ 90,977		
Expendable	—	—	100,910	94,284		
Unrestricted - as restated (Note 2)	—	—	(458,851)	(21,975)		
Total net position	\$ —	\$ —	\$ 107,459	\$ 554,530		

The University's total assets & deferred outflows increased \$27.3 million or 0.0 percent. Total liabilities & deferred inflows increased \$502.7 million from fiscal year 2017 to fiscal year 2018, primarily due to an increase in long-term liabilities resulting from the increase in net pension liability in accordance with GASB Statement 68 and net OPEB liability and deferred inflows in accordance with GASB Statement 75.

The University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (OPEB)* in fiscal year 2018. These Statements require participating employers to report their proportionate share of the plans' net pension and OPEB liabilities, pension and OPEB expense and deferred outflows and inflows. In fiscal year 2018, excluding the GASB 68 and GASB 75 impact, the University's unrestricted net position increased \$0.6 million for a total of \$137.2 million. In fiscal year 2017, excluding the GASB 68 and GASB 75 impact, the University's unrestricted net position increased \$10.5 million for a total of \$136.7 million.

**Unaudited**

Following is the University's net position with the GASB 68 and 75 impact reported discretely:

	<u>FY2018</u>		<u>FY2017</u>
Net investment in capital assets	\$ 318,787	\$	335,953
Restricted			
Nonexpendable	91,315		90,977
Expendable	99,701		93,054
Unrestricted (excluding GASB 68 & 75 liabilities)	137,210		136,658
Unrestricted (including GASB 68 & 75 liabilities)	(812,661)		(346,845)
Total net position	<u>\$ (165,648)</u>	\$	<u>309,797</u>

UMA's total assets & deferred outflows increased \$27.3 million in fiscal year 2018, primarily due to an increase in current assets and a decrease in deferred outflows. Total liabilities & deferred inflows decreased \$1.9 million, due to the net of an increase in payables and accrued liabilities and reductions in long-term debt. UMA's unrestricted net position increased \$28.4 million from \$188.2 million at the end of fiscal year 2017 to \$216.6 million at the end of fiscal year 2018.

***Statement of Revenues, Expenses and Changes in Net Position***

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or incurred by the entity.

**Unaudited**

**Summary of Revenues, Expenses and Changes in Net Position**

*Amounts in thousands*

	The University		University Medical Associates		Nonmajor Enterprise Funds	
	2018	2017	2018	2017	2018	2017
Operating revenues	\$ 559,379	\$ 514,534	\$ 433,085	\$ 399,480	\$ 530	\$ 614
Operating expenses	(771,381)	(718,255)	(328,561)	(317,313)	(510)	(567)
Operating income (loss)	(212,002)	(203,721)	104,524	82,167	20	48
Nonoperating revenues	129,091	133,784	8,028	11,230	—	—
Nonoperating expenses	(14,007)	(11,586)	(12,715)	(8,578)	—	—
Net nonoperating revenues (expenses)	115,084	122,198	4,686	2,652	—	—
Income (loss) before other revenues, expenses, gains, losses, and transfers	(96,917)	(81,523)	99,838	84,819	20	48
Capital appropriations	—	1,532	—	—	—	—
Capital grants and gifts	818	3,599	—	—	—	—
Additions to permanent endowments	337	626	—	—	—	—
Transfers	71,249	75,100	(71,218)	(75,001)	(32)	(99)
<b>Change in net position</b>	<b>(24,513)</b>	<b>(665)</b>	<b>28,620</b>	<b>9,818</b>	<b>(12)</b>	<b>(52)</b>
<b>Net position at beginning of year - restated (Note 2)</b>	<b>(141,136)</b>	<b>310,463</b>	<b>243,279</b>	<b>233,462</b>	<b>1,220</b>	<b>1,272</b>
<b>Net position at end of year</b>	<b>\$ (165,648)</b>	<b>\$ 309,797</b>	<b>\$ 271,899</b>	<b>\$ 243,512</b>	<b>\$ 1,209</b>	<b>\$ 1,220</b>

	Interfund Capital Lease Eliminations		Total Primary Government	
	2018	2017	2018	2017
Operating revenues	\$ (506)	(569)	\$ 992,489	\$ 914,060
Operating expenses	—	—	(1,100,452)	(1,036,135)
Operating income (loss)	(506)	(569)	(107,963)	(122,075)
Nonoperating revenues	—	—	137,120	145,013
Nonoperating expenses	506	569	(26,216)	(19,595)
Net nonoperating revenues (expenses)	506	569	110,903	125,419
Income (loss) before other revenues, expenses, gains, losses, and transfers	—	—	2,940	3,343
Capital appropriations	—	—	—	1,532
Capital grants and gifts	—	—	818	3,599
Additions to permanent endowments	—	—	337	626
Transfers	—	—	—	—
<b>Change in net position</b>	<b>—</b>	<b>—</b>	<b>4,095</b>	<b>9,101</b>
<b>Net position at beginning of year - restated (Note 2)</b>	<b>—</b>	<b>—</b>	<b>103,364</b>	<b>545,429</b>
<b>Net position at end of year</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 107,459</b>	<b>\$ 554,530</b>

**Revenues**

The University's daily operations are funded primarily from grants and contracts, sales and services, and State and capital appropriations. These three sources account for 74% percent of the total fiscal year 2018 revenues of \$760.9 million and 71 percent of the total fiscal year 2017 revenues of \$729.2 million. The following table and chart illustrate the University's revenues by source.

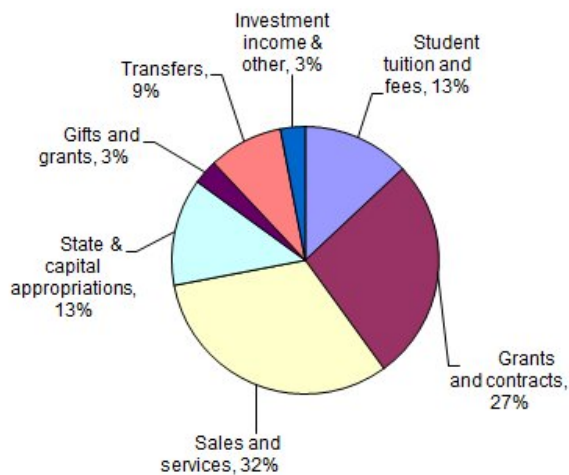
**Unaudited**

**Revenues by Source – The University**

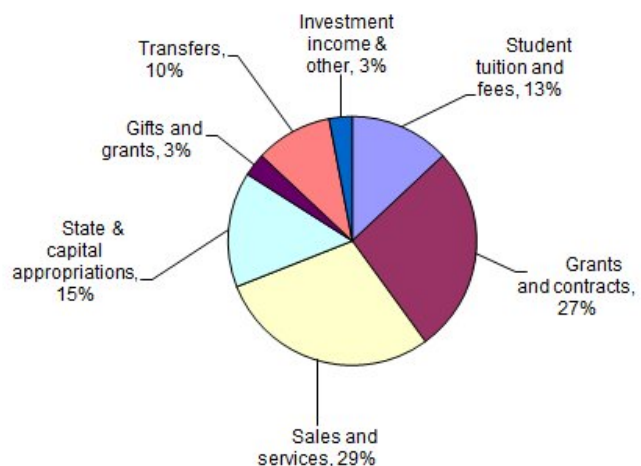
*Amounts in thousands*

	2018	Percent Of Total	2017	Percent Of Total
<b>Operating revenues</b>				
Student tuition and fees	\$ 95,937	13%	\$ 95,581	13%
Grants and contracts	206,116	27%	194,480	27%
Sales and services	244,446	32%	211,966	29%
Other operating revenues	12,880	2%	12,507	2%
Total operating revenues	559,379	74%	514,534	71%
<b>Nonoperating and other revenues</b>				
State & capital appropriations	99,725	13%	106,135	15%
Gifts and grants	22,660	3%	24,002	3%
Investment income	7,862	1%	9,403	1%
Transfers	71,249	9%	75,100	10%
Total nonoperating and other revenues	201,496	26%	214,640	29%
<b>Total revenues</b>	<u>\$ 760,875</u>	<u>100%</u>	<u>\$ 729,174</u>	<u>100%</u>

**2018**



**2017**



In fiscal year 2018, the University's total revenues increased by \$31.7 million from the previous fiscal year. Tuition revenues increased \$0.4 million. Grants and contracts increased \$11.6 million due to the net effect of increases in state and federal grant revenues and an increase in nongovernmental grant revenues. Sales and services revenues increased \$32.5 million primarily due to increases in auxiliary and other services revenue.

State and capital appropriations decreased \$6.4 million primarily due to a decrease in non-capital and capital appropriations for the Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion. State appropriations included \$18.6 million in fiscal year 2018 and fiscal year 2017 which was subsequently paid to the Medical University Hospital Authority as part of the Disproportionate Share Program administered by the South Carolina Department of Health and Human Services.

**Unaudited**

Gifts and grants decreased \$1.3 million primarily due to the net effect of decreases in permanent endowment additions and capital grants. Investment income decreased \$1.5 million primarily due to decreased earnings and realized and unrealized gains from endowments.

**Operating Revenue by Source for the Major Blended Component Unit**

Amounts in thousands

	University Medical Associates	
	2018	2017
Net clinical service revenue	\$ 418,094	\$ 382,885
Educational agreements	6,022	6,422
Other operating revenue	8,969	10,173
Total operating revenue	<u>\$ 433,085</u>	<u>\$ 399,480</u>

UMA's net clinical service revenue increased \$35.2 million primarily from an increase in patient volume and revenue related to Supplemental Medicaid. Other operating revenue decreased \$1.2 million due to a decrease in support from MUHA for various clinical initiatives during the fiscal year.

**Expenses**

The operating expenses are reported by natural classification (object) in the financial statement and by functional classification in the Notes. The following tables and charts illustrate the University's operating expenses by the two classifications.

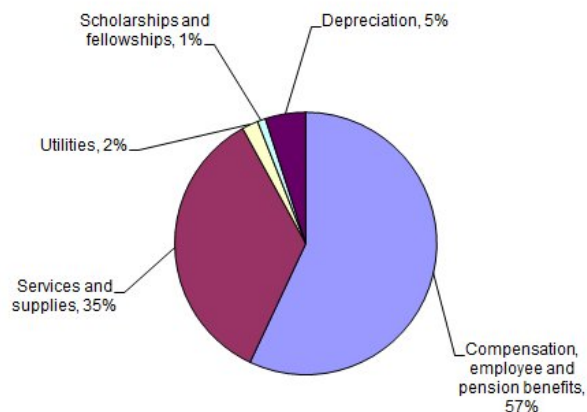
**Operating Expenses by Object – The University**

Amounts in thousands

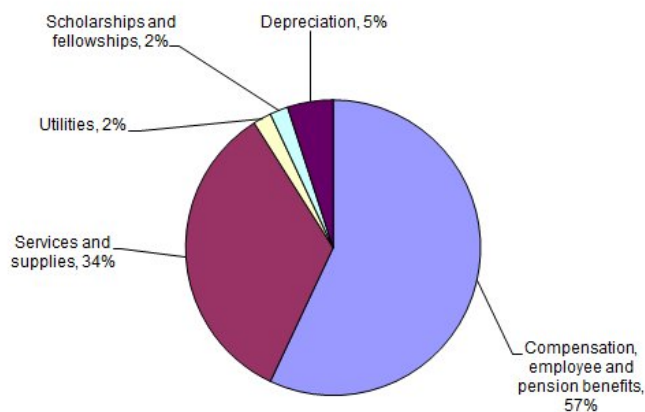
	2018	Percent Of Total	2017	Percent Of Total
Compensation, employee, pension and OPEB benefits	\$ 440,737	57%	\$ 411,140	57%
Services and supplies	267,138	35%	243,347	34%
Utilities	14,465	2%	14,432	2%
Scholarships and fellowships	10,279	1%	10,868	2%
Depreciation	38,762	5%	38,468	5%
Total operating expenses	<u>\$ 771,381</u>	<u>100%</u>	<u>\$ 718,255</u>	<u>100%</u>

**Unaudited**

**2018**



**2017**



The University's operating expenses were \$771.4 million for the fiscal year ended June 30, 2018, an increase of \$53.1 million from fiscal year 2017. The increase of 7.4 percent resulted primarily from the net impact of increases of \$29.6 million in compensation and employee benefits including pension and OPEB obligations, and a decrease of \$0.6 million in scholarships and fellowships and an increase of \$23.8 million in services and supplies.

Nonoperating expenses included in the University's total expenses amounted to \$14.0 million and \$11.6 million in fiscal years 2018 and 2017, respectively. This \$2.4 million increase was primarily due to an increase in nonoperating expenses in fiscal year 2018.

**Operating Expenses by Function – The University**

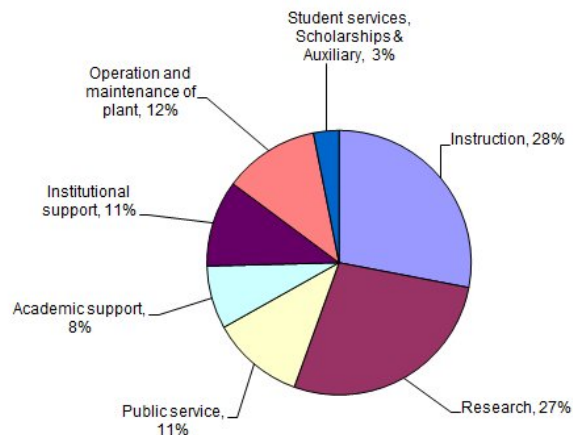
*Amounts in thousands*

	2018	Percent Of Total	2017	Percent Of Total
Instruction	\$ 216,169	28%	\$ 194,938	27%
Research	212,074	27%	197,501	28%
Public service	87,581	11%	81,917	11%
Academic support	59,563	8%	60,332	8%
Student services	9,771	1%	9,027	1%
Institutional support	81,589	11%	63,789	9%
Operation and maintenance of plant	90,293	12%	95,748	13%
Scholarships and fellowships	2,736	—%	3,797	1%
Auxiliary enterprises	11,605	2%	11,206	2%
Total operating expenses	<u>\$ 771,381</u>	<u>100%</u>	<u>\$ 718,255</u>	<u>100%</u>

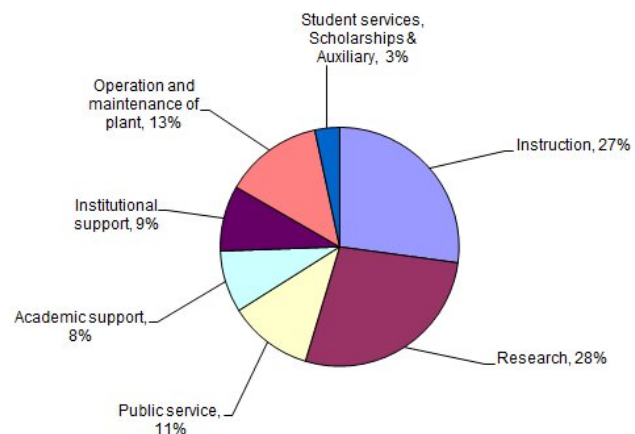


**Unaudited**

**2018**



**2017**



UMA's operating expenses increased by \$11.2 million primarily due to an increase in salaries and benefits for new faculty employed during the year. UMA's nonoperating expenses increased \$4.1 million primarily due to an increase in nonmandatory contributions to the University and its Foundation in support of their missions.

### **Statement of Cash Flows**

The Statement of Cash Flows presents detailed information about the cash activity during the year. This statement aids in the assessment of the entity's ability to generate future net cash flows and to meet obligations and commitments as they come due. The University's primary sources of operating and noncapital related cash in fiscal 2018 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Primary uses of these cash sources were salaries and benefits for faculty, staff, and student employees, and payments to suppliers of goods and services.

The statement is divided into five sections.

- The University's cash flows from operating activities include cash received for tuition and research grants, salaries paid to employees and payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$141.1 million.
- The University's non-capital financing activities, which include State appropriations received for operations and noncapital gifts and transfers, generated a net cash inflow of \$192.1 million.
- The University's capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, repayment of debt, and acquisition of capital assets. Debt proceeds, capital appropriations, grants and gifts received in the current year were more than offset by capital expenditures and payments on debt, resulting in a net cash outflow of \$35.4 million.
- The University's investing activities consisted of \$4.2 million of earnings on investments, offset by \$0.4 million of endowment corpus deposited with the Medical University of South Carolina Foundation.
- The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

### **Capital Asset and Debt Activities**

The following is a summary of capital asset and long-term debt activity for the University and its major blended component unit for fiscal year 2018. More detailed information can be found in Note 6 (Capital Assets), Note 13 (Bonds and Notes Payable) and Note 14 (Lease Obligations) of the Notes to the Financial Statements.

**Unaudited**

**Capital Assets, Net of Depreciation**

*Amounts in thousands*

	The University		University Medical Associates	
	2018	2017	2018	2017
Land	\$ 10,588	\$ 10,588	\$ 22,007	\$ 18,845
Construction in progress	3,484	1,427	241	251
Land improvements	5,087	5,637	—	—
Buildings and improvements	376,481	401,391	63,973	67,502
Machinery and equipment	44,774	46,884	4,229	4,279
Vehicles	1,568	1,312	3,107	4,757
	<u>441,982</u>	<u>\$ 467,239</u>	<u>\$ 93,557</u>	<u>\$ 95,634</u>

**The University**

Capital additions, net of the change in construction in progress, totaled \$13.7 million in fiscal year 2018 and consisted primarily of costs associated with renovations to administrative and laboratory space, and investments in medical, scientific and laboratory equipment.

The University had outstanding commitments under construction contracts related to these and other projects of approximately \$6.6 million at June 30, 2018. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

**University Medical Associates**

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2018 was \$93.6 million. The change in capital assets year over year is primarily due to depreciation recorded during fiscal year 2018, offset by additions.

**Bonds, Notes, Capital Lease Obligations, and Interfund Payables**

The following table shows the amounts (in thousands) and types of bonds, notes, and capital leases outstanding as of June 30, 2018.

	The University		University Medical Associates	
	2018	2017	2018	2017
State institution bonds, net	\$ 46,293	\$ 51,409	\$ —	\$ —
Revenue bonds, net	25,642	27,281	—	—
Notes payable	—	—	2,212	6,003
Variable rate demand bonds	—	—	62,085	62,085
Fixed rate revenue bond	—	—	10,375	11,690
Capital lease obligations	82	98	687	291
Due to component unit	41,578	42,352	—	—
Interfund payables	10,843	12,214	—	—
	<u>\$ 124,438</u>	<u>\$ 133,354</u>	<u>\$ 75,359</u>	<u>\$ 80,069</u>

**The University**

Following is a brief explanation of each type of long-term debt with examples of the assets acquired and the funding source the University expects to use to service the debt.

**State Institution Bonds (SIB)**

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to repay this debt, the State would repay the debt because these bonds are backed by the State's full faith, credit and taxing power. The proceeds from SIBs provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's SIBs are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as "Aaa". At June 30, 2018, the net SIB payable totaled \$46.3 million.

**Revenue Bonds**

In fiscal year 2007, the University issued a \$38 million revenue bond for the purpose of financing a new parking garage which opened in the fall of 2008. During fiscal year 2017, the University issued \$25.1 million in Refunding Revenue Bonds to refund these bonds.

**Unaudited****Capital Leases**

The University has an outstanding capital lease with CHS Development Company (CHS), a blended component unit, for the College of Health Professions complex and a parking garage. Monthly payments are made to a financial institution as trustee under this lease. At June 30, 2018, the capital lease liability payable to CHS was \$10.8 million. The lease with this blended component unit is considered an Interfund Payable.

In fiscal year 2009, the University entered into capital leases with the Medical University of South Carolina Foundation (MUSCF), a discretely presented component unit, for a garage and two office buildings. As of June 30, 2018, the capital lease liability payable to MUSCF, which is reflected as Due to Component Unit, totaled \$41.6 million.

In addition, the University has \$0.1 million in capital leases payable at June 30, 2018 for various pieces of equipment.

**Sources Other Than Debt**

The University also acquires some of its capital assets from other sources such as:

- *Federal grants.* Grants were received from the federal government for some of the construction costs of the Hollings Cancer Center, the Drug Discovery and Biosciences Buildings, and the Bee Street Parking Garage. The University is not obligated to repay these monies.
- *State Capital Improvement Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University used capital improvement bond proceeds to partially fund the construction of the new College of Dental Medicine Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded on the University's financial statements.
- *Research Infrastructure Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University used research infrastructure bond proceeds to fund the construction of a new Drug Discovery Building and a Bioengineering Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded in the University's financial statements.
- *Private Gifts and Grants.* Cash and other resources donated to the MUSC Foundation are periodically transferred to the University for capital projects.

**University Medical Associates**

At June 30, 2018, UMA had \$75.4 million in outstanding bonds, notes and capital lease obligations compared to \$80.1 million outstanding in the prior year, a decrease of 5.9 percent.

**Requests for Information**

These financial statements are designed to provide a general overview of The Medical University of South Carolina and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Medical University of South Carolina, 19 Hagood Avenue, Suite 505, MSC 817, Charleston, South Carolina, 29425. These financial statements may also be obtained from our website:

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**STATEMENT OF NET POSITION**  
**June 30, 2018**

	The University	University Medical Associates	Nonmajor Enterprise Fund	Interfund Capital Leases Elimination	Total Primary Government
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 246,655,077	\$ 75,794,041	\$ —	\$ —	\$ 322,449,118
Investments	—	106,704,909	—	—	106,704,909
Receivables, net	53,382,067	41,411,775	—	—	94,793,842
Student loans receivable	36,325	—	—	—	36,325
Due from other funds	—	38,217,512	—	—	38,217,512
Due from component units	9,822,671	445,331	—	—	10,268,002
Prepaid items	4,681,540	338,226	156,349	—	5,176,115
Restricted assets					
Cash and cash equivalents	28,089,123	—	686,339	—	28,775,462
Investments	—	—	791,048	—	791,048
Due from component units	19,430,965	—	—	—	19,430,965
Interfund receivables	—	—	1,432,675	(1,432,675)	—
Student Loans receivables	1,109,544	—	—	—	1,109,544
Other current assets	—	2,524,823	—	—	2,524,823
Total current assets	363,207,312	265,436,617	3,066,411	(1,432,675)	630,277,665
<b>Noncurrent Assets</b>					
Investments	—	10,422,500	—	—	10,422,500
Student loans receivables	347,667	—	—	—	347,667
Restricted Assets					
Cash and cash equivalents	30,013,046	—	—	—	30,013,046
Due from component units	90,587,225	—	—	—	90,587,225
Interfund receivables	—	—	9,409,986	(9,409,986)	—
Student loans receivable	11,609,213	—	—	—	11,609,213
Prepaid items	—	6,238,070	708,107	—	6,946,177
Net OPEB asset	—	5,834	—	—	5,834
Investment in joint ventures	—	2,689,801	—	—	2,689,801
Capital assets, net of accumulated depreciation	441,982,401	93,557,380	—	—	535,539,781
Other noncurrent assets	—	3,706,110	—	—	3,706,110
Total noncurrent assets	574,539,552	116,619,695	10,118,093	(9,409,986)	691,867,354
Total assets	937,746,864	382,056,312	13,184,504	(10,842,661)	1,322,145,019
<b>DEFERRED OUTFLOWS</b>					
Deferred loss of refunding debt	263,053	12,416,056	199,542	—	12,878,651
Deferred outflows-pension	81,628,727	—	—	—	81,628,727
Deferred outflows-OPEB	15,825,100	242,371	—	—	16,067,471
Total deferred outflows	97,716,880	12,658,427	199,542	—	110,574,849
Total assets and deferred outflows	\$ 1,035,463,744	\$ 394,714,739	\$ 13,384,046	\$ (10,842,661)	\$ 1,432,719,868

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF NET POSITION (CONTINUED)**

**For the year ended June 30, 2018**

	The University	University Medical Associates	Nonmajor Enterprise Fund	Interfund Capital Leases Elimination	Total Primary Government
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables and accrued liabilities	\$ 29,953,117	\$ 40,053,329	\$ 135,450	\$ —	\$ 70,141,896
Due to other funds	38,217,512	—	—	—	38,217,512
Due to component units	836,435	1,466,567	—	—	2,303,002
Unearned revenues	16,638,713	—	—	—	16,638,713
Interfund payables	1,432,675	—	—	(1,432,675)	—
Long-term liabilities	22,941,860	8,053,525	1,580,000	—	32,575,385
Other current liabilities	8,903,945	—	—	—	8,903,945
Total current liabilities	118,924,257	49,573,421	1,715,450	(1,432,675)	168,780,453
<b>Noncurrent liabilities</b>					
Interfund payables	9,409,986	—	—	(9,409,986)	—
Due to component unit	40,741,812	—	—	—	40,741,812
Federal loan program liability	12,990,413	—	—	—	12,990,413
Long-term liabilities	76,620,406	71,943,798	10,460,000	—	159,024,204
Net Pension Liability	466,168,244	—	—	—	466,168,244
Net OPEB Liability	434,684,135	—	—	—	434,684,135
Fair value of derivative instruments	—	1,223,038	—	—	1,223,038
Total noncurrent liabilities	1,040,614,996	73,166,836	10,460,000	(9,409,986)	1,114,831,846
Total liabilities	1,159,539,253	122,740,257	12,175,450	(10,842,661)	1,283,612,299
<b>DEFERRED INFLOWS</b>					
Deferred inflows - pension	475,466	—	—	—	475,466
Deferred inflows - OPEB	41,097,485	75,381	—	—	41,172,866
Total deferred inflows	41,572,951	75,381	—	—	41,648,332
Total liabilities and deferred inflows	1,201,112,204	122,815,638	12,175,450	(10,842,661)	1,325,260,631
<b>NET POSITION</b>					
Net investment in capital assets	318,787,398	55,298,288	—	—	374,085,686
Restricted					
Nonexpendable	91,314,812	—	—	—	91,314,812
Expendable for					
Education	40,787,729	—	—	—	40,787,729
Loans	4,146,123	—	—	—	4,146,123
Capital projects	53,983,098	—	—	—	53,983,098
Debt service	784,474	—	1,208,596	—	1,993,070
Unrestricted	(675,452,094)	216,600,813	—	—	(458,851,281)
Total net position	\$ (165,648,460)	\$ 271,899,101	\$ 1,208,596	\$ —	\$ 107,459,237

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the year ended June 30, 2018**

	The University	University Medical Associates	Nonmajor Enterprise Fund	Interfund Capital Leases Elimination	Total Primary Government
<b>Operating revenues</b>					
Student tuition and fees, (net of scholarship allowances of \$6,961,420)	\$ 95,936,848	\$ —	\$ —	\$ —	\$ 95,936,848
Federal grants and contracts	156,169,560	—	—	—	156,169,560
State grants and contracts	8,784,023	—	—	—	8,784,023
Local government grants and contracts	164,255	—	—	—	164,255
Nongovernmental grants and contracts	40,997,868	—	—	—	40,997,868
Sales and services to Medical University Hospital Authority	120,338,884	—	—	—	120,338,884
Sales and services of educational and other activities	108,206,071	—	—	—	108,206,071
Net clinical service revenue	—	418,093,723	—	—	418,093,723
Ambulatory care and Medical University Hospital Authority revenue cycle support		6,022,284	—	—	6,022,284
Auxiliary enterprises	15,901,998	—	—	—	15,901,998
Interest income (used as security for revenue bonds and notes)	—	—	530,142	(505,696)	24,446
Other operating revenues	12,879,781	8,969,109	—	—	21,848,890
Total operating revenues	559,379,288	433,085,116	530,142	(505,696)	992,488,850
<b>Operating expenses</b>					
Compensation and employee benefits	408,416,926	240,792,142	—	—	649,209,068
Pension Benefits	20,742,067	—	—	—	20,742,067
OPEB Benefits	11,577,457	—	—	—	11,577,457
Services and supplies	267,137,948	81,148,539	7,067	—	348,293,554
Utilities	14,465,475	1,014,021	—	—	15,479,496
Scholarships and fellowships	10,278,851	—	—	—	10,278,851
Interest expense	—	—	346,925	—	346,925
Depreciation and amortization	38,762,208	5,606,227	156,349	—	44,524,784
Total operating expenses	771,380,932	328,560,929	510,341	—	1,100,452,202
Operating income (loss)	(212,001,644)	104,524,187	19,801	(505,696)	(107,963,352)
<b>Nonoperating revenues (expenses)</b>					
State appropriations	99,724,575	—	—	—	99,724,575
Gifts and grants	21,504,539	—	—	—	21,504,539
Gifts made	—	(8,608,850)	—	—	(8,608,850)
Investment income	7,862,399	4,005,046	—	—	11,867,445
Interest expense	(6,225,521)	(4,086,936)	—	505,696	(9,806,761)
Loss on sale of capital assets	(235,757)	(18,938)	—	—	(254,695)
Transfers to other state funds	(501,863)	—	—	—	(501,863)
Other nonoperating revenues (expenses)	(7,044,221)	4,023,185	—	—	(3,021,036)
Net nonoperating revenues (expenses)	115,084,151	(4,686,493)	—	505,696	110,903,354
Income (loss) before other revenues, expenses, gains, losses, and transfers	(96,917,493)	99,837,694	19,801	—	2,940,002
Capital grants and gifts	817,803	—	—	—	817,803
Additions to permanent endowments	337,439	—	—	—	337,439
Interfund transfers	71,249,479	(71,217,835)	(31,644)	—	—
<b>Change in net position</b>	(24,512,772)	28,619,859	(11,843)	—	4,095,244
<b>Net position at beginning of year, as restated (Note 2)</b>	(141,135,688)	243,279,242	1,220,439	—	103,363,993
<b>Net position at end of year</b>	\$ (165,648,460)	\$ 271,899,101	\$ 1,208,596	\$ —	\$ 107,459,237

*The accompanying notes are an integral part of this financial statement.*



**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2018**

	The University	University Medical Associates	Nonmajor Enterprise Fund	Interfund Capital Leases Elimination	Total Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Student tuition and fees	\$ 96,697,625	\$ —	\$ —	\$ —	\$ 96,697,625
Grants and contracts	204,712,503	—	—	—	204,712,503
Auxiliary enterprise charges	15,901,998	—	—	—	15,901,998
Receipts for services provided to Medical University Hospital Authority	121,449,962	—	—	—	121,449,962
Receipts for services of educational activities	104,016,209	—	—	—	104,016,209
Receipts from patients and third-party payors	—	415,879,963	—	—	415,879,963
Payments to employees	(410,512,015)	(252,967,344)	—	—	(663,479,359)
Payments to suppliers	(276,152,767)	(59,214,596)	(7,067)	—	(335,374,430)
Payments for scholarships and fellowships	(10,278,851)	—	—	—	(10,278,851)
Loans issued to students	(2,102,944)	—	—	—	(2,102,944)
Collection of loans to students	2,073,456	—	—	—	2,073,456
Student loan program receipts	36,940,506	—	—	—	36,940,506
Student loan program disbursements	(36,940,506)	—	—	—	(36,940,506)
Other receipts	15,176,883	21,113,136	—	—	36,290,019
Other payments	(2,104,218)	(226,052)	—	—	(2,330,270)
Net cash (used) provided by operating activities	(141,122,159)	124,585,107	(7,067)	—	(16,544,119)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State appropriations	99,724,575	—	—	—	99,724,575
Interfund transfers received	71,249,479	—	—	—	71,249,479
Interfund transfers paid	—	(71,217,835)	(31,644)	—	(71,249,479)
Transfers to other state funds	(323,020)	—	—	—	(323,020)
Gifts made	—	(8,608,850)	—	—	(8,608,850)
Gifts and grants received	21,451,646	—	—	—	21,451,646
Interest paid on noncapital debt	(4,519)	—	—	—	(4,519)
Principal paid on bonds and notes payable	—	(1,849,115)	—	—	(1,849,115)
Interest paid on bonds and notes payable	—	(837,137)	—	—	(837,137)
Net cash provided (used) by noncapital financing activities	192,098,161	(82,512,937)	(31,644)	—	109,553,580
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	—	—	—	—	—
Capital appropriations	(744,960)	—	—	—	(744,960)
Appropriation paid to Medical University Hospital Authority	(7,000,000)	—	—	—	(7,000,000)
Capital grants and gifts received	537,100	—	—	—	537,100
Proceeds from sale of capital assets	19,243	—	—	—	19,243
Purchases of capital assets	(13,080,745)	(4,251,179)	—	—	(17,331,924)
Principal paid on capital debt and leases	(8,158,556)	(3,644,655)	(1,535,000)	—	(13,338,211)
Interest paid on capital debt and leases	(6,899,832)	(1,636,615)	(305,437)	—	(8,841,884)
Payment of fees and other items	(65,000)	—	—	—	(65,000)
Net cash used by capital and related financing activities	(35,392,750)	(9,532,449)	(1,840,437)	—	(46,765,636)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Collection of interfund receivables	—	—	1,371,620	—	1,371,620
Interest received on interfund receivables	—	—	505,696	—	505,696
Purchases of investments	—	(50,174,104)	(2,450,688)	—	(52,624,792)
Proceeds from sales and maturities of investments	—	22,033,966	2,426,243	—	24,460,209
Net distributions from joint ventures	—	—	—	—	—
Deposits of endowment corpus with MUSC Foundation	(387,439)	—	—	—	(387,439)
Interest on investments	4,241,885	3,312,568	36,195	—	7,590,648
Net cash provided (used) by investing activities	3,854,446	(24,827,570)	1,889,066	—	(19,084,058)
Net increase in cash and cash equivalents	19,437,698	7,712,151	9,918	—	27,159,767
Cash and cash equivalents at beginning of year	285,319,548	68,081,890	676,421	—	\$ 354,077,859
Cash and cash equivalents at end of year	\$ 304,757,246	\$ 75,794,041	\$ 686,339	\$ —	\$ 381,237,626

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF CASH FLOWS (CONTINUED)**

**For the year ended June 30, 2018**

	The University	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
Cash and cash equivalents as reported in the following Statement of Net Positions sections					
Current assets	\$ 246,655,077	\$ 75,794,041	\$ —	\$ —	\$ 322,449,118
Current restricted assets	28,089,123	—	686,339	—	28,775,462
Noncurrent restricted assets	30,013,046	—	—	—	30,013,046
Total cash and cash equivalents	<u>\$ 304,757,246</u>	<u>\$ 75,794,041</u>	<u>\$ 686,339</u>	<u>\$ —</u>	<u>\$ 381,237,626</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (212,001,644)	\$ 104,524,187	\$ 19,801	\$ (505,696)	\$ (107,963,352)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	38,762,208	5,606,227	156,349	—	44,524,784
Provision for bad debts	—	27,537,794	—	—	27,537,794
Rental income, net	—	5,911,468	—	—	5,911,468
Other	—	(473,521)	—	—	(473,521)
Interest income	—	—	(530,142)	505,696	(24,446)
Interest expense	—	—	346,925	—	346,925
Changes in assets and liabilities					
Receivables	(5,326,086)	(25,110,530)	—	—	(30,436,616)
Student loans receivable	373,814	—	—	—	373,814
Due to other funds	—	(1,043,192)	—	—	(1,043,192)
Due to component units	1,191,244	3,800,939	—	—	4,992,183
Prepaid items	(321,077)	338,226	—	—	17,149
Other assets	265	(892,074)	—	—	(891,809)
Payables and accrued liabilities	3,585,903	3,626,727	—	—	7,212,630
Accrued compensated absences	242,378	135,851	—	—	378,229
Unearned revenues	922,459	—	—	—	922,459
Due to other funds	1,043,191	—	—	—	1,043,191
Federal loan program liability	169,499	—	—	—	169,499
Pension & OPEB obligations	32,319,524	—	—	—	32,319,524
Other liabilities	(2,083,837)	623,005	—	—	(1,460,832)
Net cash provided (used) by operating activities	<u>\$ (141,122,159)</u>	<u>\$ 124,585,107</u>	<u>\$ (7,067)</u>	<u>\$ —</u>	<u>\$ (16,544,119)</u>
Noncash transactions					
Equipment acquired by capital leases	\$ 27,189	\$ (783,004)	\$ —	\$ —	\$ (755,815)
Donated equipment included in capital grants and gifts	280,703	—	—	—	280,703
Change in capital asset payables	358,383	(251,281)	—	—	107,102
Increase in fair value of investments	—	851,737	—	—	851,737
Pro rata loss from joint ventures	—	(30,438)	—	—	(30,438)
Total noncash transactions	<u>\$ 666,275</u>	<u>\$ (212,986)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 453,289</u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF NET POSITION**  
**MEDICAL UNIVERSITY HOSPITAL AUTHORITY**  
**Governmental Discretely Presented Component Unit**  
**June 30, 2018**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 266,216,768
Cash restricted for capital projects and major programs	9,210,000
Investments	29,761,740
Patient accounts receivable, net of allowance for uncollectible accounts of \$71,700,000	224,788,917
Due from third-party payors	7,276,674
Due from joint ventures and partnerships	2,890,408
Other current assets	60,200,350
Total current assets	600,344,857
Investments held by trustees under indenture agreements	52,061,361
Investments in Joint Ventures and Partnerships	898,339
Due from Joint Ventures and Partnerships - Restricted	6,657,750
Capital assets, net	661,160,648
Total assets	1,321,122,955

**DEFERRED OUTFLOWS**

Deferred outflows - pensions	131,139,675
Deferred outflows - OPEB	23,486,250
Deferred outflows - debt refunding	24,842,494
Total assets and deferred outflows	\$ 1,500,591,374

**LIABILITIES AND NET POSITION**

Current Liabilities:

Current installments of long-term debt and capital lease obligations	\$ 23,825,745
Accounts payable	85,258,903
Accrued payroll, withholdings and benefits	71,273,776
Due to related parties	5,870,539
Other accrued expenses	11,957,427
Unearned revenue	541,655
Total current liabilities	198,728,045

Long-term debt	467,322,910
Net Pension liability	786,017,635
Net OPEB liability	641,598,965
Other liabilities	9,656,070
Total noncurrent liabilities	1,904,595,580
Total liabilities	2,103,323,625

Deferred inflows - pensions	1,390,120
Deferred inflows - OPEB	60,660,271

Total liabilities and deferred inflows	2,165,374,016
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Net Position:

Net investment in capital assets	185,198,417
Restricted under indenture agreements	52,061,361
Restricted for capital projects	14,215,678
Restricted for major programs	31,404,892
Unrestricted (deficit)	(947,662,990)
Total net position	(664,782,642)
Total liabilities and net position	\$ 1,500,591,374

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**MEDICAL UNIVERSITY HOSPITAL AUTHORITY**  
**Governmental Discretely Presented Component Unit**  
**For the Year Ended June 30, 2018**

Operating revenues:		
Net patient service revenue, net of provision for bad debts of \$109,758,867	\$	1,425,364,381
Other revenue		37,563,616
Total operating revenues		<u>1,462,927,997</u>
Operating expenses:		
Compensation and employee benefits		602,853,990
Pension benefits		41,529,321
OPEB benefits		16,934,856
Services and supplies		742,837,053
Depreciation and amortization		65,422,553
Total operating expenses		<u>1,469,577,773</u>
Operating loss		(6,649,776)
Nonoperating revenue (expense):		
State appropriations		25,237,209
Gifts and grants		11,033,422
Investment income		406,408
Interest expense		(18,665,032)
(Loss) on disposal of capital assets		(509,076)
Other nonoperating expenses		<u>(4,634,234)</u>
Increase in net position		6,218,921
Net position, beginning, as restated (Note 2)		<u>(671,001,563)</u>
Net position, ending	\$	<u><u>(664,782,642)</u></u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF FINANCIAL POSITION**  
**MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION**  
**Nongovernmental Discretely Presented Component Unit**  
**June 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 18,739,281
Receivables:	
Accounts and other receivables	187,948
Unconditional promises to give, net	40,611,840
Investments	470,307,621
Investment in affiliate	6,899,271
Funds held in trust by the Foundation	4,700,250
Funds held in trust by others	16,027
Income producing property	81,923,002
Property and equipment, net	392,208
Other assets	22,657
Total assets	<u>\$ 623,800,105</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 1,882,694
Accrued interest payable	19,463,451
Annuities payable	3,564,747
Notes payable to primary government	90,587,225
Notes and bonds payable	42,475,167
Interest rate swap	227,705
Deferred rent	5,030,505
Contributions payable to primary government	17,852,400
Total liabilities	<u>181,083,894</u>

**Net Assets:**

Unrestricted:	
Undesignated	33,066,973
Designated for primary government programs	27,511,400
Total unrestricted	<u>60,578,373</u>
Temporarily restricted	207,538,327
Permanently restricted	174,599,511
Total net assets	<u>442,716,211</u>
Total liabilities and net assets	<u>\$ 623,800,105</u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF ACTIVITIES**

**MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION**

**Nongovernmental Discretely Presented Component Unit**

**For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
Contributions, net of gift management fees	\$ 1,157,666	\$ 25,805,693	\$ 11,820,704	\$ 38,784,063
Interest and dividends, net	1,771,392	2,853,995	—	4,625,387
Net unrealized and realized gains (losses)	1,981,968	24,820,195	—	26,802,163
Unrealized gain on investment in affiliate	750,363	—	—	750,363
Unrealized gain on interest rate swap	880,845	—	—	880,845
Special events revenue	—	3,488,230	7,950	3,496,180
Rental income	5,587,019	34,344	35,889	5,657,252
Change in value of split-interest agreements	—	(360,471)	—	(360,471)
Gain (loss) on disposal of property and equipment	(321,125)	94,738	—	(226,387)
Other income	546,143	8,050,114	665,000	9,261,257
	<u>12,354,271</u>	<u>64,786,838</u>	<u>12,529,543</u>	<u>89,670,652</u>
Net assets released from restrictions:				
Transfers	(1,733,213)	(103,233)	1,836,446	—
Payments of recurring management fees	3,300,700	(3,300,700)	—	—
Program restrictions satisfied	32,126,385	(32,126,385)	—	—
Total revenues, gains, and other support	<u>46,048,143</u>	<u>29,256,520</u>	<u>14,365,989</u>	<u>89,670,652</u>
<b>Expenses and losses</b>				
Program expenses	39,291,289	—	—	39,291,289
Supporting services:				
General and administrative	1,371,054	—	—	1,371,054
Fund-raising	2,764,097	—	—	2,764,097
Total expenses	<u>43,426,440</u>	<u>—</u>	<u>—</u>	<u>43,426,440</u>
Changes in net assets	2,621,703	29,256,520	14,365,989	46,244,212
Net assets at beginning of year	57,956,670	178,281,807	160,233,522	396,471,999
Net assets at end of year	<u>\$ 60,578,373</u>	<u>\$ 207,538,327</u>	<u>\$ 174,599,511</u>	<u>\$ 442,716,211</u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF FINANCIAL POSITION**  
**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT**  
**Nongovernmental Discretely Presented Component Unit**  
**June 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 1,071,143
Interest receivable	—
Accounts receivable, net	294,325
Due from primary government	244,246
Accounts receivable - other	30,677
Prepaid expenses	32,598
Investments	370,782
Property and equipment, net	45,723
Total assets	<u>\$ 2,089,494</u>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$ 116,239
Due to primary government	106,201
Due to University Medical Associates	289,362
Capital lease payable	3,363
Unearned revenue and deposits	33,276
Funds held for others	570,936
Total liabilities	<u>1,119,377</u>

Net Assets

Unrestricted	970,117
Total liabilities and net assets	<u>\$ 2,089,494</u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF ACTIVITIES**

**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT**

**Nongovernmental Discretely Presented Component Unit**

**For the Year Ended June 30, 2018**

**Revenues, gains, and other support**

State grants and contracts	\$	1,910,864
Royalties		786,918
License fees		156,713
Other program services		205,603
Interest and dividend income		10,893
Net unrealized and realized loss on investments		(6,970)
Miscellaneous income		33,626
Total revenues, gains, and other support		<u>3,097,647</u>

**Expenses**

Program services		
Technology transfer activity		2,507,754
Other		471,054
Total program expenses		<u>2,978,808</u>
Supporting services		
Management and general		290,806
Total expenses		<u>3,269,614</u>
Changes in net assets		<u>(171,967)</u>
Net assets at beginning of year		1,142,084
Net assets at end of year	\$	<u><u>970,117</u></u>

*The accompanying notes are an integral part of this financial statement.*



**STATEMENT OF NET POSITION**

**MUSC STRATEGIC VENTURES**

**Governmental Discretely Presented Component Unit**

**June 30, 2018**

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 1,093,624
Restricted Cash	39,513,158
Receivables	
Due from Carolina Family Care, net	282,450
Due from MSV Health, Inc.	—
Other	201,882
Total current assets	<u>41,091,114</u>

Noncurrent Assets

Property, Plant and Equipment	
Land	4,370,000
CIP-North Charleston Pediatric Center	17,341,795
Investments in joint venture	978,614
Investments in Affiliates	—

Total assets	<u><u>\$ 63,781,523</u></u>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current liabilities

Prepaid rent	\$ 2,359,272
Accounts payable	1,649,377
Due to MUHA, net	10,037,410
Due to University Medical Associates	65,503
Total current liabilities	14,111,562

Noncurrent liabilities

Bond payable	46,000,000
Total liabilities	<u>60,111,562</u>

Net Position

Unrestricted	3,669,961
Total liabilities and net position	<u><u>\$ 63,781,523</u></u>

*The accompanying notes are an integral part of this financial statement.*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**MUSC STRATEGIC VENTURES**

**Governmental Discretely Presented Component Unit**

**For the Year Ended June 30, 2018**

Revenues:	
Regular Income	\$ 401,212
Realized loss - investments	(483,121)
Interest Income	329,224
Management Income	2,445,608
Other Income	4,570,000
	<hr/>
Total revenues	7,262,923
	<hr/>
Operating expenses:	
Staff salaries	2,326,442
Services and supplies	19,848
Consultant fees	1,360,947
Accounting and legal fees	463,166
Equipment expenses	65,530
Other expenses	10,435
	<hr/>
Total operating expenses	4,246,368
	<hr/>
Change in net position	3,016,555
	<hr/>
Net position, beginning of year	653,406
Net position, end of year	<hr/>
	\$ 3,669,961
	<hr/>

*The accompanying notes are an integral part of this financial statement.*

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medical University of South Carolina (the University), established in 1824, is a public institution of higher learning, the purpose of which is to preserve and optimize human life in South Carolina and beyond. The University provides an environment for learning and discovery through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care. The University and its component units are presented as a discretely presented component unit in the Comprehensive Annual Financial Report of the State of South Carolina.

#### **Financial Statement Presentation**

The financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles, as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, where applicable.

#### **Reporting Entity**

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and further amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Based on the criteria provided by GASB Statement No. 39, the financial statements include the accounts of the University, as the primary government, and the accounts of the entities referenced below as component units.

The University implemented GASB Statement No. 61, an amendment to GASB Statements No. 14 and No. 34. While this pronouncement did not significantly change the definition of a component unit, it did change the criteria for inclusion as a blended component unit. As applied to the University, the modified criteria for inclusion as a blended component unit require that a blended unit a) have a substantively similar governing board, and either provide a financial benefit or impose a financial burden on the University or be operationally managed by the University; or b) exclusively or almost exclusively benefit the University even though it may not provide services exclusively to the University; or c) rely on University resources to repay the component unit's debt.

The University determined that none of aforementioned modified criteria apply to the University's relationship with the Medical University Hospital Authority (the Authority). In particular, the University does not have operational responsibility for the Authority and does not receive a financial benefit or incur a financial burden from its relationship with the Authority under GASB 61. Therefore, the University determined that the Authority would be considered a discretely presented component unit of the University. Furthermore, due to the significance of its relationship with the University, the Authority is considered a major discretely presented component unit.

#### **Blended Component Units**

The University's blended component units, although legally separate from the University, are so intertwined with it that they are, in substance, the same as the primary entity. University Medical Associates (UMA), Medical University Facilities Corporation (MUFC), and CHS Development Company (CHS) are considered to be governmental entities that conduct business-type activities. Their balances and transactions are blended with those of the University and reported as if they were balances and transactions of the primary entity. UMA is reported as a major fund and MUFC and CHS are reported as nonmajor funds.

#### **Major Blended Fund**

University Medical Associates of The Medical University of South Carolina (UMA) was organized as a non-profit corporation under the laws of South Carolina on June 3, 1991 and has received tax-exempt status recognition from the Internal Revenue Service. UMA was established by the Board of Trustees of the Medical University of South Carolina to benefit the programs and further the mission of the University. UMA bills, collects, and administers all clinical income generated by its participating physicians and provides the full-time professional clinical faculty of the University and other health professionals with the development of group practice arrangements. UMA operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and education. UMA is considered a component unit because the University is financially accountable for UMA, has appointment authority over a majority of the UMA board, and is able to affect UMA's operations. UMA is a blended component unit because it almost exclusively benefits the University even though UMA does not provide all of its services directly to the University. In addition, the bylaws of UMA provide for all of its assets to be transferred to the University upon its dissolution.

UMA has formed for-profit and nonprofit subsidiaries for the purpose of creating a primary care network by establishing satellite and affiliate offices and contracting with area physicians to provide primary care and other services. Carolina Family Care, Inc. (CFC) and Carolina Primary Care Physicians, P.A. (CPCP) are organized as for-profit corporations under South Carolina law, whereas Carolina Health Management Services (CHMS) is organized as a nonprofit public benefit corporation. During fiscal year 2014, UMA established a new taxable corporate subsidiary, Comprehensive Psychiatric Care Specialists (CPS). During fiscal year 2017, UMA established a new entity, MUSC Health Partners (MHP) as a support organization. Since all of these companies serve an essentially identical purpose, all financial activities of these companies are blended into the financial statements of UMA. Some of UMA's component units are income taxable under state and federal law. UMA's component units do not issue separate financial statements.

UMA is financially accountable for its component units because UMA is able to impose its will on the organizations, there is a potential for the organizations to provide specific financial benefits to or impose specific financial burdens on UMA, and there is a fiscal dependency by the organizations on UMA. As required by U.S. generally accepted accounting principles, the University's financial statements include UMA and its component units. Copies of the separately issued financial statements of UMA can be obtained by sending a request to the following address: University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 355, Charleston, SC 29407.

### **Nonmajor Blended Fund**

Medical University Facilities Corporation (MUFC) is a nonprofit corporation established in 1992 to obtain the financing for the University to purchase land, an office building, and a parking garage. A majority of the members of the Board of Directors of MUFC are employees of the University or members of the University's Board of Trustees. The agreement between the University and MUFC requires the University to pay all costs incurred by MUFC. MUFC is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. MUFC is a blended component unit since it relies on the University's resources to service its debt. MUFC does not issue separate financial statements. For the year ended June 30, 2018, MUFC had no activity.

CHS Development Company (CHS) is a nonprofit corporation organized under the laws of South Carolina on August 27, 2002 to develop and lease property for the University. The development of the property furthers the public educational goals of the University by providing necessary classroom, office, and parking space. CHS is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CHS is a blended component unit since it relies on the University's resources to service its debt. CHS does not issue separate financial statements.

### **Discretely Presented Component Units**

Under criteria set forth in GASB Statement No. 61, the Medical University Hospital Authority (the Authority) is reported as a discretely presented component unit of the University. As described above, based on the criteria in GASB Statement No. 39, the University reports the Medical University of South Carolina Foundation (MUSCF), the MUSC Foundation for Research Development (MFRD), and MUSC Strategic Ventures (MSV) as discretely presented component units in its financial statements.

### **Major Discretely Presented Component Unit**

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. While the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority, the Authority's component unit relationship to the University arises principally because the nature and significance of its relationship with the primary government is such that exclusion would cause the University's financial statements to be misleading or incomplete. The Authority is considered a discretely presented unit because, while it does have the same governing board as the University, it does not provide a significant financial benefit to or impose a financial burden on the University. The Authority receives its own state appropriations passed through the University from the South Carolina General Assembly, independent of the appropriations granted and mandates made to the University. It is considered a major discretely presented component unit because of the significance of its relationship with the University. Copies of the separately issued financial statements of the Authority can be obtained by sending a request to the following address: Medical University Hospital Authority, Chief Financial Officer, P.O. Box 250332, Charleston, SC 29425.

### **Nonmajor Discretely Presented Component Units**

The Medical University of South Carolina Foundation (MUSCF) was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. In 2005, MUSCF expanded its purpose by amending its bylaws to promote the same types of programs through the Authority. MUSCF acts primarily as a fund-raising organization to supplement the resources that are available to the University and the Authority in support of its programs. Although the University does not control the timing or amount of receipts from MUSCF, the majority of resources or income thereon that MUSCF holds and invests is restricted by the donors for support of the activities of the University and the Authority.

The MUSCF reporting entity includes the Parking Garage Associates, LLC, (PGA), 135 Cannon Street, LLC, and 55 Bee Street, LLC, all of which are single member limited liability companies and wholly-owned subsidiaries of MUSCF. PGA owns and leases a parking garage to the University. 135 Cannon Street, LLC owns and leases an office building and parking lot to the University. 55 Bee Street, LLC owns and leases an office building to the University.

Because the restricted resources held by MUSCF can only be used by, or for the benefit of the University or the Authority, and if MUSCF is dissolved, its assets shall be transferred to the University, MUSCF is considered a discretely presented component unit of the University. Copies of the separately issued financial statements of the MUSCF can be obtained by sending a request to the following address: MUSC Foundation, 18 Bee Street, P.O. Box 250450, Charleston, SC 29425-4500.

MUSC Foundation for Research Development (MFRD) was incorporated in March 1995 as a direct support organization for the University. The mission of MFRD is to support the educational, research, and health care mission of the University by fostering creativity and innovation. Additionally, MFRD is charged with providing the mechanisms by which the University's scientific discoveries, inventions and processes may be developed, applied, or patented, and the means by which funds generated by such discoveries or patents can be used to stimulate and promote further investigation and research at the University.

Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University; therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can

be obtained by sending a request to the following address: MUSC Foundation for Research Development, MSC 828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425.

MUSC Strategic Ventures (MSV) was incorporated on September 2, 2015 pursuant to the South Carolina Nonprofit Corporation Act exclusively to allow affiliation with tax exempt entities to operate for charitable, scientific, and educational purposes and to promote and support the educational, medical, scientific and research purposes of the University and UMA.

MSV has formed a for-profit subsidiary, MSV Health, Inc. (MHI). MHI was incorporated on August 10, 2016 pursuant to the State of Delaware to allow affiliation with taxable entities to promote and support the educational, medical, scientific and research purposes of the University and UMA. The financial activities of MHI are consolidated with MSV and thus MHI does not issue separate financial statements.

Based on its close relationship with the University and UMA, MUSC Strategic Ventures is deemed to be financially integrated with the University; therefore MUSC Strategic Ventures is reported as a discretely presented component unit for the University.

### ***Basis of Accounting***

For financial reporting purposes, the University, along with its governmental component units, is considered a special purpose government engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Student tuition is presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to recipients are presented as scholarship and fellowship expenses. All significant interfund transactions and balances have been eliminated.

The Medical University of South Carolina Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the financial information for MUSCF and MFRD in the University's financial reporting entity.

### ***Cash and Cash Equivalents***

The University and its governmental component units generally consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, guaranteed investment contracts held by the nonmajor funds are classified as short-term investments. Funds invested through the State's internal cash management pool administered by the State Treasurer's Office are considered cash equivalents because the pool operates as a demand deposit account.

### ***Investments and Investment Income***

Investments are carried at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investment income or loss from investment (including realized and unrealized gains and losses on investments and interest) is reported as nonoperating revenue.

### ***Receivables***

The University's receivables consist primarily of tuition and fee charges to students and amounts due from government and private sources in connection with reimbursement of allowable expenses under grants and contracts.

Pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, the University receives certain supplemental Medicaid payments for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2018, the University has recorded a net receivable from Medicaid of \$27,130,892.

UMA grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements.

Bad debt and contractual allowances for loans receivable and various accounts receivable, including patient accounts receivable, for the University and UMA are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios.

### ***Prepaid Items***

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, prepaid items consist primarily of insurance premiums, subscriptions, maintenance contracts, and deposits on equipment not yet received. UMA's prepaid items consist of prepaid rent.

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or, if received as a gift, at fair market value at the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. The University and UMA capitalize, as a component of construction in progress, interest cost in excess of earnings on debt associated with the capital projects. No interest was capitalized in fiscal year 2018 for either the University or UMA. Routine repairs

and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 50 years for buildings, building services, and land improvements, and 3 to 20 years for machinery, equipment, vehicles, and software.

### **Compensated Absences**

Employee vacation pay expense is accrued in accordance with GASB Statement No. 16, as modified by GASB Statement No. 68. The liability is recorded as payables and accrued liabilities in the Statement of Net Position (see Note 11) and the related expense is a component of compensation and employee benefits expense in the Statement of Revenues, Expenses and Changes in Net Position.

### **Unearned Revenues**

Unearned revenues include net tuition and fees received prior to the end of the fiscal year which relate to a subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Derivative Instruments**

The University and its blended units account for its derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The University and its blended units classify derivative instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported in investment income on the Statement of Revenues, Expenses and Changes in Net Position in the period in which the changes occur. The University and its blended units formally assess the effectiveness of hedging derivative instruments at each year-end. UMA formally assesses the effectiveness of its hedging derivative instruments using Regression Analysis. During February 2018, the impact of the Tax Cuts and Jobs Act was realized as the interest rates on its outstanding bonds were increased due to the lowering of the maximum corporate tax rate in accordance with the Master Trust Indenture. The higher interest rate resulted in the derivative instruments no longer being effective hedging instruments. In accordance with GASB Statement No. 53, the negative value of the derivative instruments at June 30, 2018 of \$1,223,038 was recorded as a reduction of investment income.

### **Deferred Loss on Refunding of Debt**

In transactions involving refundings of debt, the difference between the reacquisition price (total cost of new debt) and the net carrying value of the old debt is deferred and amortized to interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized amount of the deferred loss on refunding of debt is reflected as a deferred outflow.

### **Net Position**

The net position of the University and the governmental component units is classified as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt incurred to acquire or construct the assets. To the extent debt has been incurred but not yet expended for capital assets, it is not included as a component of the net investment in capital assets.

*Restricted net position – non-expendable* - Nonexpendable restricted net position consists of endowment funds which donors or other outside sources have stipulated, as a condition of the gift instrument, must be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position – expendable* - Restricted expendable net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted net position* - Unrestricted net position represents resources that are not subject to externally imposed restrictions and may be used to meet current expenses for any purpose. These resources also include those of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred for a purpose for which both restricted and unrestricted resources are available, the University policy is to first apply the restricted resources, then the unrestricted resources.

### **Classification of Revenues and Expenses**

The University and the governmental component units have classified revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the University include: (1) tuition and fees received in exchange for providing educational services to students; (2) grants and contracts that are essentially the same as contracts for services and that finance programs the University would not otherwise undertake; and (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University. Operating expenses primarily consist of payments of compensation and employee benefits and purchases of services and supplies.

Transactions deemed by UMA to be related to its clinical services' offerings or to the use of its facilities and personnel for educational purposes are reported as operating revenues and operating expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. The principal operating revenues of UMA are patient services revenues.



CHS reports interest income and interest expense as operating revenue and expense because investing and financing constitute their principal ongoing operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes, State appropriations, investment income (except for MUFC and CHS), and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. The principal nonoperating expenses are interest (except for MUFC and CHS), transfers to other State funds and gifts made.

### ***Scholarship Allowances***

Student tuition and fee revenues are recorded net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student.

### ***Net Clinical Service Revenue***

UMA has agreements with third party payors including Medicare and Medicaid that provide for reimbursement at amounts different from established rates. Net clinical service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. UMA is reimbursed by its major insurers (Medicare, Medicaid, Blue Cross, etc.) based upon a fee schedule it has developed for physician services.

### ***Charity Care***

UMA provides care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Since management does not expect payment for charity care, the estimated charges are excluded from revenue.

### ***Sales and Services of Educational and Other Activities***

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from seminar fees, clinic services, pharmacy sales, and sales of other services. This category includes supplemental Medicaid payments received as reimbursement to providers associated with teaching hospitals and clinics.

### ***Interfund Transfers and Balances***

Transfers of funds between blended component units are accounted for as Interfund Transfers. The principal purpose of Interfund Transfers is to support the academic department activities of the University.

Transfers of funds to entities external to the Primary Government are presented as Transfers to Other State Funds.

Amounts owed to (by) the Primary Government by (to) discretely presented component units are presented as Due from (to) Component Unit(s). Activities between blended component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are presented as Interfund Receivables and Interfund Payables. All other outstanding balances between blended component units, which are primarily related to services provided or used, are presented as Due to/from Other Funds.

### ***Income Taxes***

The University and the Authority, as political subdivisions of the State of South Carolina, are exempt from federal income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. The Authority is also recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax under Section 501(a) of the Internal Revenue Code.

UMA, CHS, MUSC Strategic Ventures, MUSCF, and MFRD are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income under Code Section 501(a). However, UMA does have three for-profit subsidiaries and a nonprofit subsidiary which are all subject to federal income tax.

In December Congress passed, and the President signed into law, the Tax Cuts and Jobs Act (TCJA) of 2017. This legislation featured several changes that could ultimately impact both public and private higher education institutions, their benefactors and employees. As of June 30, 2018, the Internal Revenue Service had yet to provide guidance in the form of proposed regulations and/or notices, or amended tax forms regarding the implementation of the TCJA by exempt organizations. Consequently, the University has not accrued a liability for any changes referenced in the TCJA. It is our opinion, that had any liabilities been recorded, they would not have been material to the University's financial statements.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, laws and regulations governing the

Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

## **New Accounting Pronouncements**

The University and the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for fiscal year 2018. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria for employers whose employees are provided with defined contribution OPEB. More specifically, this Statement details how cost-sharing employer benefit plans, such as the one administered by the Public Employee Benefit Authority (PEBA) on behalf of the University and the Authority, will recognize OPEB liabilities based upon the employer's proportionate share of the collective net OPEB liability of the trusts. This statement also addresses the note disclosure and required supplementary information requirements for reporting the OPEB liability. See Note 2, Change in Accounting Principles.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued in November 2016. This pronouncement addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. This Statement will be effective for the University in fiscal year 2019. The University is in the process of evaluating the impact of GASB Statement No. 83.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the University in fiscal year 2020. The University is in the process of evaluating the impact of GASB Statement No. 84.

The University and the Authority implemented GASB Statement No. 85, *Omnibus 2017* for fiscal year 2018. This pronouncement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. This pronouncement requires recognition of assets and deferred outflows of resources and liabilities and deferred inflows of resources for leases previously classified as operating leases, based on the payment provisions of the contract. This statement applies to all leases with a term greater than one year. This statement will be effective for the University and UMA in fiscal year 2021. The University and UMA are in the process of evaluating the impact of GASB Statement No. 87.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in March 2018. This pronouncement requires that additional essential information related to debt be disclosed in notes to financial statements. This statement will be effective for the University in fiscal year 2019. The University is in the process of evaluating the impact of GASB Statement No. 88.

## **2. CHANGE IN ACCOUNTING PRINCIPLE**

The University, UMA and The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. It requires participating employers to report their proportionate share of the plan's net OPEB liability, OPEB expense, and deferred inflows and outflows of resources as well as additional note disclosures and required supplementary information.

The following schedule reflects the impact of this GASB 75 change:

	The University		UMA		The Authority	
Net position - beginning of period, as previously reported	\$	309,797,261	\$	243,512,219	\$	(5,394,982)
Adoption of Statement No. 75		(450,932,949)		(232,977)		(665,606,581)
Net position - beginning of period, as restated	\$	(141,135,688)	\$	243,279,242	\$	(671,001,563)



### 3. DEPOSITS AND INVESTMENTS

The following schedule reconciles deposits and investments to the Statement of Net Position:

	The University	UMA	Nonmajor Enterprise Fund CHS
Statement of Net Position:			
Current assets			
Cash and cash equivalents	\$ 246,655,077	\$ 75,794,041	—
Investments	—	106,704,909	—
Restricted assets			
Cash and cash equivalents	28,089,123	—	686,339
Investments	—	—	791,048
Noncurrent assets			
Investments	—	10,422,500	—
Restricted assets			
Cash and cash equivalents	30,013,046	—	—
Total Statement of Net Position	<u>\$ 304,757,246</u>	<u>\$ 192,921,450</u>	<u>\$ 1,477,387</u>
Disclosure, Deposits and Investments plus reconciling items:			
Carrying value of deposits			
Held by State Treasurer	\$ 304,687,791	\$ —	\$ —
Other	—	44,631,105	390,853
Investments, reported amount			
Unrestricted	—	148,246,288	—
Restricted	—	—	1,086,534
Cash on hand	69,455	44,057	—
Total Notes plus reconciling items	<u>\$ 304,757,246</u>	<u>\$ 192,921,450</u>	<u>\$ 1,477,387</u>

#### ***Deposits Held by State Treasurer***

All deposits of the University are under the control of the South Carolina State Treasurer, who by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values, and various risks of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

#### ***Other Deposits***

UMA and its blended component units maintain their cash accounts in commercial banks. Accounts are guaranteed by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for both demand and time deposits per depositor. At June 30, 2018, the carrying amount of deposits was \$44,631,105. Bank balances before reconciling items were \$45,758,332. Of these unrestricted bank balances, \$1,442,949 was insured by the FDIC and the remainder was uninsured and uncollateralized.

## **Investments**

As of June 30, 2018, the investment balances were as follows:

Investment	Carrying Value	Maturities	Interest Rate	Credit Rating
<b>University Medical Associates</b>				
Certificates of deposit	\$ 200,000	6/9/2019	0.30%	N/A
Auction rate debt securities:				
Merrill Lynch Bonds	10,422,500	12/01/2026	3.14%	Baa3/BBB+
Commercial paper	44,850,981	07/11/2018 - 09/24/2018	—%	P2/A2/SP-1+
Corporate bonds	17,276,159	10/15/2018 - 01/25/2023	1.88 - 6.00%	A+-BBB+
Money market funds:				
Wells Fargo Bank Institutional	37,059	average 39 days	0.95%	N/A
Federated Prime Mortgage Obligations Inst.	1,186,647	average 39 days	1.75%	N/A
Mutual Funds:				
Bond funds - domestic	18,048,499	N/A	3.01%	N/A
Equity funds - domestic	24,077,873	N/A	1.67%	N/A
Equity funds - foreign	32,146,570	N/A	2.38%	N/A
Total UMA investments	<u>\$ 148,246,288</u>			
<b>Nonmajor Enterprise Fund</b>				
CHS Development Company				
NATIXIS NY BRH Disc Co	\$ 791,048	12/10/2018	—%	N/A
Money market funds:				
TD Asset Management U.S. Government Institutional	295,486	average 33 days	1.44%	N/A
Total CHS investments	<u>\$ 1,086,534</u>			

UMA's Investment income comprises of the following for the fiscal year ended June 30, 2018:

Net increase in fair value of investments	\$ 2,074,775
Change in valuation of derivative instruments	(1,223,038)
Investment income	3,183,747
Income from joint venture	(30,438)
Total	<u>\$ 4,005,046</u>

The University and its component units report investments at fair value and categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy classifies investments using following three levels:

Level 1- Investments reflect prices quoted in active markets.

Level 2- Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available from the primary vendor. There are no investments or derivatives classified in Level 3.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued by independent financial advisors using the zero-coupon method.

UMA has the following investments and derivative instruments valued using fair value measurements as of June 30, 2018:

	<b>Fair Value Measurements Using</b>			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<b>6/30/2018</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Investments by fair value level</b>				
Cash and cash equivalents	\$ 31,118,879	\$ 31,118,879	\$ —	\$ —
Debt Securities				
Bond mutual funds	18,048,499	18,048,499	—	—
Certificates of deposit	200,000	—	200,000	—
Commercial Paper	14,955,809	—	14,955,809	—
Corporate bonds	17,276,158	—	17,276,158	—
Auction rate securities	10,422,500	—	10,422,500	—
Total debt securities	60,902,966	18,048,499	42,854,467	—
Equity securities				
Domestic equity mutual funds	15,215,073	15,215,073	—	—
Foreign equity mutual funds <sup>(1)</sup>	24,223,286	24,223,286	—	—
Total Equity Securities	39,438,359	39,438,359	—	—
Total investments by fair value level	\$ 131,460,204	\$ 88,605,737	\$ 42,854,467	\$ —
<b>Investments measured at the net asset value (NAV)</b>				
Equity long/short hedge funds	\$ 3,757,446			
Multi-strategy hedge funds	13,028,638			
Total investments measured at the NAV	16,786,084			
Total investments measured at fair value	\$ 148,246,288			
<b>Derivative instruments</b>				
Interest rate swap	\$ (1,223,038)	\$ —	\$ (1,223,038)	\$ —

1. All funds convert currencies into US dollars for reporting purposes and do not present currency risk on the way the institutional funds are bought, sold, and denominated. The only foreign currency risk resides with individual securities purchased in foreign denominated currencies and held in the portfolio underlying the funds themselves. As such, UMA has no formal policy relating to foreign currency risk.

Information related to investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	<b>Fair value</b>	<b>Investments Measured at NAV Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
Equity long/short hedge funds <sup>(1)</sup>	\$ 3,757,446	Quarterly	75 days
Multi-strategy hedge funds <sup>(2)</sup>	13,028,638	Monthly	30 days
Total investments measured at the NAV	\$ 16,786,084		

1. Equity long/short hedge fund. This hedge fund is a multiple-manager investment fund that specializes primarily in classic long/short hedged equity strategies. The hedge fund invests globally, with a majority of the exposure in liquid, developed markets, and invests primarily in private investment partnerships or limited liability companies and in separately managed accounts, each of which are managed by independent managers.

2. Multi-strategy hedge fund. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in US index funds.

CHS Development Company has the following investments valued using fair value measurements as of June 30, 2018:

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Observable Inputs
	6/30/2018	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Debt Securities				
NATIXIS NY BRH Disc Co	\$ 791,048	\$ 791,048	\$ —	\$ —
Total debt securities	791,048	791,048	—	—
Money Market Funds				
TD Asset Management U.S. Government Institutional	295,486	295,486	—	—
Total money market funds	295,486	295,486	—	—
Total investments by fair value level	\$ 1,086,534	\$ 1,086,534	\$ —	\$ —

### Custodial Credit Risk

Custodial credit risk is the risk that the investor will not be able to recover the value of its investments that are in the possession of its safekeeping custodian.

To minimize this risk, UMA's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. All investments are held in UMA's name by a safekeeping agent that is independent of all counterparties. UMA does not have a policy related to insurance or collateralization of deposits.

### Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations.

UMA has structured its cash resources in order to ensure preservation of principal and maximize investment returns subject to cash flow requirements and manage credit risk within its portfolio. UMA has adopted two investment policies depending on whether the funds are invested on a self-directed or professionally managed basis. The self-directed investment policy approved by the UMA Board of Directors allows investment in money market mutual funds, U.S. Treasury and Agency obligations, obligations of U.S. or foreign banks rated A1/P1 by Standard & Poors (S&P) or Moody's Investor Services (Moody's), repurchase agreements with major banks collateralized by U.S. Treasury obligations, Eurodollar time deposits rated A or higher, commercial paper rated A2/P2/F2 or higher, and other corporate obligations including bonds and medium term notes rated A+ or A1 or higher.

CHS Development Company has adopted an investment policy approved by the CHS Board of Directors that allows investments in bonds, notes, bills, futures contracts and pass-through securities and all other marketable debt obligations issued or guaranteed by the US Government or its Agencies, repurchase agreements fully collateralized by US Government securities, bonds and all other marketable debt obligations of US corporations which have a composite average portfolio quality rating of "A" or better as rated by Moody's Investor Services (Moody's), or comparable by Standard and Poor's. Individual issues shall have a minimum investment quality rating of BBB (S&P) or Baa (Moody's).

### Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer.

UMA's professionally managed portfolio includes both equity and fixed income investments. As of June 30, 2018, fixed income investments comprise 48%, while equities comprise 52% of the total. Allowable fixed income investments include obligations issued or guaranteed by the US Government, mortgage backed securities including GNMA, FNMA and FHLMC, other asset-backed securities, corporate debt securities, taxable municipal securities, short-term obligations including commercial paper, and debt of developed foreign sovereign nations as well as closely monitored emerging markets sovereign debt, commercial bonds and senior debt. The policy allows investment in instruments with maturity from one to two and a half years with the average credit quality to be no lower than A/Aa by S&P and Moody's. No more than 10% may be invested in a single issuer except for the U.S. Government and its agencies. This limit may be exceeded with the approval of the Board of Directors of UMA. As of June 30, 2018, UMA has no investments in securities of a single issuer other than the U. S. Government that comprise more than 10% of its total unrestricted portfolio.

The equity portion of UMA's professionally managed investment policy provides for domestic and international equities, real estate funds, and alternative investments, including hedge funds, private equity funds, energy limited partnerships, commodities, and derivative securities, with all having diversification among issuers, class of issuers and industrial sectors. UMA's policy is to limit investment in any one equity issuer to 5% and limit investment in a particular market segment to 20% of the total portfolio balance. Alternative investments shall not exceed 25% of the fund's total market value unless approved by the Executive Committee of the Board of Directors of UMA. Alternative investments are measured at net asset value (NAV) as a practical expedient to fair value. As of June 30, 2018, UMA has no investment holdings which exceed these thresholds.

CHS investments are in relatively conservative financial instruments. As of June 30, 2018, fixed income securities in debt obligations comprise 72.80% while cash and cash equivalents comprise 27.20% of total investments. Fixed income investments include NATIXIS NY BRH Disc Co.

### **Interest Rate Risk**

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

UMA, in accordance with its self-directed investment policy, manages its exposure to interest rate risk by limiting the maturities of investments to no longer than 60 months for any individual security and no longer than 18 months average for the entire portfolio. As June 30, 2018, investments subject to this policy were the certificates of deposit, corporate and auction rate securities, commercial paper, and money market funds.

CHS has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Investments in Joint Ventures**

UMA accounts for investments in joint ventures using the equity method. If UMA is a 20 percent or more owner and is able to exercise significant influence over the partnership, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit or loss increases or decreases the carrying value of the investment and this gain or loss is reported in the Statement of Revenues, Expenses and Changes in Net Position.

During the fiscal year ended June 30, 2000, CPCP entered into a joint venture with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Real Property, LLC (LCRP) which holds title to certain real estate located in Beaufort County, South Carolina. During the fiscal year ended June 30, 2010, there was a reallocation of partnership interests from withdrawing partners bringing CPCP's total interest in the capital of LCRP to 43.35 percent. The operating agreements of LCRP state that all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting the acquisition and disposition of significant assets or changes to the members of each partnership. CPCP is prohibited from serving as a manager but no other party has a controlling interest. These joint ventures are accounted for using the equity method of accounting.

On February 10, 2004, UMA entered into a joint venture, with an effective date of August 5, 2003, with Georgetown Hospital System to form Georgetown Radiation Therapy Center, L.L.C. (GRTC) to provide radiation therapy for patients of Georgetown County, South Carolina. UMA received a one percent equity interest for a contribution of \$1,000. Pursuant to a licensing agreement, in exchange for GRTC's use of UMA's intellectual property, UMA has been entitled to receive an additional one percent equity interest in GRTC for each \$100,000 of cumulative net income the entity produces up to a maximum of ten percent. In prior years, UMA received an additional nine percent interest in the partnership as a result of increases in accumulated earnings bringing the total interest in GRTC to the maximum ten percent. On September 1, 2014, UMA purchased an additional 39 percent interest in Georgetown Hospital System to increase its total ownership percentage to 49 percent for the purchase price of \$975,000. GRTC is governed by an executive committee which is comprised of nine directors with UMA appointing four of these directors. This investment is reported on the equity method of accounting and as of June 30, 2018 had a carrying value of \$1,259,872.

On May 23, 2016, UMA entered into a joint venture with MUHA to form MUSC Health Alliance, LLC (MHA). MHA was formed to qualify and operate as an accountable care organization (ACO) participating in the Medicare Shared Saving Program (MSSP) within the meaning of Section 1899 of the Social Security Act. UMA has a 55% membership interest with MUHA having the remaining 45% membership interest. As of June 30, 2017, UMA made a capital contribution of \$943,156 to fund its share of the escrow account required by MSSP and recorded MUHA's minority interest of \$643,933 on the statement of net position. MHA is governed by a Board of Directors consisting of 8 directors with UMA appointing 4 directors. MHA is consolidated into the financial statements of UMA and does not issue separate stand-alone financial statements.

The following schedule reflects the changes in the carrying value of UMA's joint venture investments included in Investments in joint ventures in the accompanying statement of net position:

	LCRP	GRTC	Total
UMA's carrying value at June 30, 2017	\$ 1,290,548	\$ 1,429,691	\$ 2,720,239
UMA's share of partnership income (losses) for fiscal year 2018	139,381	(169,819)	(30,438)
UMA's carrying value at June 30, 2018	<u>\$ 1,429,929</u>	<u>\$ 1,259,872</u>	<u>\$ 2,689,801</u>

#### 4. RECEIVABLES

Receivables at June 30, 2018, net of applicable allowances, were as follows:

	The University	UMA
Student accounts	\$ 804,286	\$ —
Patient accounts	—	160,029,253
Less allowances for:		
Contractual adjustments	—	(102,139,063)
Uncollectibles	—	(20,972,965)
Federal grants and contracts	16,179,719	—
State grants and contracts	138,404	—
Nongovernmental grants and contracts	3,857,123	—
Interest	1,271,681	—
Medicaid supplemental reimbursement, net	27,130,892	—
State capital appropriation	750,000	—
Other	3,249,962	4,494,550
Receivables, net	<u>\$ 53,382,067</u>	<u>\$ 41,411,775</u>

## 5. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2018 were as follows:

Asset/Restricted for	The University	Nonmajor Enterprise Fund CHS
Current:		
Cash and cash equivalents:		
Debt service	\$ 1,415,465	\$ 686,339
Research & education	26,673,658	—
Total cash and cash equivalents	<u>\$ 28,089,123</u>	<u>\$ 686,339</u>
Investments:		
Debt service	<u>\$ —</u>	<u>\$ 791,048</u>
Due from component units		
Earnings on endowments	<u>\$ 19,430,965</u>	<u>\$ —</u>
Interfund receivables:		
Debt service	<u>\$ —</u>	<u>\$ 1,432,675</u>
Student loans receivable:		
Student loan programs	<u>\$ 1,109,544</u>	<u>\$ —</u>
Noncurrent:		
Cash and cash equivalents:		
Capital projects	\$ 26,705,882	—
Student loan programs	2,538,100	—
Endowments	769,064	—
Total cash and cash equivalents	<u>\$ 30,013,046</u>	<u>\$ —</u>
Investments		
Debt service	<u>\$ —</u>	<u>\$ —</u>
Due from component units		
Endowments	<u>\$ 90,587,225</u>	<u>\$ —</u>
Interfund receivables:		
Debt service	<u>\$ —</u>	<u>\$ 9,409,986</u>
Student loans receivable:		
Student loan programs	<u>\$ 11,609,213</u>	<u>\$ —</u>

## 6. CAPITAL ASSETS

### University and Blended Component Units

Capital asset activity for the year ended June 30, 2018 for the University and its blended component units was as follows:

	Beginning Balance	Additions	Transfers / Retirements	Ending Balance
<b><u>The University</u></b>				
Capital assets not being depreciated				
Land	\$ 10,587,597	\$ —	\$ —	\$ 10,587,597
Construction in progress	1,427,206	6,044,357	(3,987,863)	3,483,700
Total capital assets not being depreciated	12,014,803	6,044,357	(3,987,863)	14,071,297
Other capital assets				
Depreciable land improvements	14,429,626	—	—	14,429,626
Buildings and improvements	790,064,818	4,063,994	21,889	794,150,701
Machinery and equipment	139,045,976	7,122,411	(5,202,998)	140,965,389
Vehicles	3,991,655	504,121	(270,948)	4,224,828
Total other capital assets at historical cost	947,532,075	11,690,526	(5,452,057)	953,770,544
Less accumulated depreciation for				
Depreciable land improvements	(8,792,233)	(550,307)	—	(9,342,540)
Buildings and improvements	(388,674,262)	(28,994,418)	—	(417,668,680)
Machinery and equipment	(92,161,957)	(8,985,445)	4,956,296	(96,191,106)
Vehicles	(2,679,320)	(232,303)	254,509	(2,657,114)
Total accumulated depreciation	(492,307,772)	(38,762,473)	5,210,805	(525,859,440)
Other capital assets, net	455,224,303	(27,071,947)	(241,252)	427,911,104
University capital assets, net	467,239,106	(21,027,590)	(4,229,115)	441,982,401
<b><u>University Medical Associates</u></b>				
Capital assets not being depreciated				
Land	18,844,710	2,876,194	286,281	22,007,185
Construction in progress	250,918	276,708	(286,281)	241,345
Total capital assets not being depreciated	19,095,628	3,152,902	—	22,248,530
Other capital assets				
Buildings and improvements	115,945,625	103,482	(21,239)	116,027,868
Machinery and equipment	18,081,099	1,707,024	(643,536)	19,144,587
Computer software	13,633,690	—	—	13,633,690
Total other capital assets at historical cost	147,660,414	1,810,506	(664,775)	148,806,145
Less accumulated depreciation for				
Buildings and improvements	(48,443,466)	(3,613,999)	2,301	(52,055,164)
Machinery and equipment	(13,801,511)	(1,757,868)	643,536	(14,915,843)
Computer software	(8,877,167)	(1,649,121)	—	(10,526,288)
Total accumulated depreciation	(71,122,144)	(7,020,988)	645,837	(77,497,295)
Other capital assets, net	76,538,270	(5,210,482)	(18,938)	71,308,850
UMA capital assets, net	95,633,898	(2,057,580)	(18,938)	93,557,380
Grand Total	\$ 562,873,004	\$ (23,085,170)	\$ (4,248,053)	\$ 535,539,781



**Major Discretely Presented Component Unit**

Capital asset activity for the year ended June 30, 2018 for the Authority was as follows:

	Beginning Balance	Additions	Transfers / Retirements	Ending Balance
<b><u>Medical University Hospital Authority</u></b>				
Capital assets not being depreciated				
Land	\$ 6,092,725	\$ —	\$ —	\$ 6,092,725
Assets not in service	3,424,330	8,273,879	(6,123,452)	5,574,757
Construction in progress	108,050,657	140,119,082	(9,270,658)	238,899,081
Total capital assets not being depreciated	<u>117,567,712</u>	<u>148,392,961</u>	<u>(15,394,110)</u>	<u>250,566,563</u>
Other capital assets				
Buildings, improvements & fixed equipment	714,663,609	9,461,472	—	724,125,081
Machinery and equipment	259,263,091	25,720,224	(14,108,774)	270,874,541
Software	51,726,654	3,799,259	—	55,525,913
Vehicles	2,102,960	300,605	—	2,403,565
Total other capital assets at historical cost	<u>1,027,756,314</u>	<u>39,281,560</u>	<u>(14,108,774)</u>	<u>1,052,929,100</u>
Less accumulated depreciation for				
Buildings, improvements & fixed equipment	(373,783,711)	(33,458,017)	—	(407,241,728)
Machinery and equipment	(178,574,496)	(25,077,002)	13,599,699	(190,051,799)
Software	(34,301,244)	(8,688,268)	—	(42,989,512)
Vehicles	(1,927,264)	(124,712)	—	(2,051,976)
Total accumulated depreciation	<u>(588,586,715)</u>	<u>(67,347,999)</u>	<u>13,599,699</u>	<u>(642,335,015)</u>
Other capital assets, net	<u>439,169,599</u>	<u>(28,066,439)</u>	<u>(509,075)</u>	<u>410,594,085</u>
Authority capital assets, net	<u>\$ 556,737,311</u>	<u>\$ 120,326,522</u>	<u>\$ (15,903,185)</u>	<u>\$ 661,160,648</u>

## 7. PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at

The South Carolina Police Officers' Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions.

### **Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each System is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

### **Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

## **Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from 90 to 85 percent.

Required employee contribution rates for fiscal year 2017-2018 are as follows:

### **SCRS**

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

### **State ORP**

9.00% of earnable compensation

### **PORS**

Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contributions<sup>1</sup> rates for fiscal year 2017-2018 are as follows:

### **SCRS**

Employer Class Two	13.41% of earnable compensation
Employer Class Three	13.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

### **State ORP**

Employer Contribution	13.41% of earnable compensation <sup>2</sup>
Employer Incidental Death Benefit	0.15% of earnable compensation

### **PORS**

Employer Class Two	15.84% of earnable compensation
Employer Class Three	15.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

### Employer Contributions

The University's proportionate share was calculated on the basis of employer contributions actually remitted to SCRS and PORS for the fiscal year ended June 30, 2017. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

The following table provides the employer contributions used in the determination of employers' proportional shares of collective pension amounts reported:

		<u>The University</u>		<u>The Authority</u>
Proportionate Share of Contributions for the fiscal year ended June 30, 2017				
	SCRS	\$ 23,798,940	\$	40,417,627
	PORS	\$ 478,323	\$	415,179
Allocation Percentage of Proportionate Shares of Collective Pension Amounts as of June 30, 2017				
	SCRS	2.040436%		3.465263%
	PORS	0.249430%		0.216500%

### Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS).

A plan's net pension liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Governmental Accounting Standards Board (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB No. 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on the plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

The NPL is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB No. 67 less that plan's fiduciary net position. The components of the net pension liability of the participating employers of SCRS and PORS at June 30, 2017 are as follows:

	<u>SCRS</u>	<u>PORS</u>
Total Pension Liability	\$ 48,244,437,494	\$ 7,013,684,001
Plan Fiduciary Net Position	\$ 25,732,829,268	\$ 4,274,123,178
Employer's Net Pension Liability	\$ 22,511,608,226	\$ 2,739,560,823

The University's and Authority's respective portions of the net pension liability of the plans are as follows:

	<u>The University</u>	<u>The Authority</u>
Portion of Collective Net Pension Liability		
	SCRS 2.040436%	3.465263%
	PORS 0.249430%	0.216500%
Proportioned Share of Net Pension Liability		
	SCRS \$ 459,334,957	\$ 780,086,431
	PORS \$ 6,833,287	\$ 5,931,204

For the year ended June 30, 2018, the University recognized pension expense of \$50,344,895 and \$804,935 related to the SCRS and PORS pension plans, respectively. The Authority recognized pension expense of \$86,828,718 and \$718,498 related to the SCRS and PORS pension plans, respectively.

### **Actuarial Assumptions and Methods**

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017 total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted accounting principles. The assumed rate of return was reduced from 7.5% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2017, valuations for SCRS and PORS.

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Investment rate of return	7.25%	7.25%
Includes inflation at	2.25%	2.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lessor of 1% or \$500 annually	lessor of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the June 30, 2017, valuations for SCRS and PORS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

### **Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

#### Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or a 1.00 percent higher (8.25 percent) than the current rate.

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

<b>System</b>	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
SCRS	\$29,014,370,642	\$22,511,608,226	\$18,565,959,440
PORS	\$3,698,928,254	\$2,739,560,823	\$1,983,879,869

The following tables present the sensitivity of the University's and the Authority's net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's and the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	<u>The University</u>	<u>The Authority</u>
<b>SCRS</b>		
1.00% Decrease (6.25%)	\$ 592,019,664	\$ 1,005,424,251
Current Discount Rate (7.25%)	\$ 459,334,957	\$ 780,086,431
1.00% Increase (8.25%)	\$ 378,826,520	\$ 643,359,323

<b>PORS</b>		
1.00% Decrease (6.25%)	\$ 9,226,237	\$ 8,008,254
Current Discount Rate (7.25%)	\$ 6,833,287	\$ 5,931,204
1.00% Increase (8.25%)	\$ 4,948,392	\$ 4,295,140

**Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

Deferred outflows of resources were related to differences between expected and actual experience and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources. See the following table for deferred outflows of resources for the University and the Authority:

	<u>The University</u>	<u>The Authority</u>
Deferred Outflows of Resources		
SCRS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 2,047,714	\$ 3,477,624
Assumption Changes	26,889,132	45,665,688
Net Difference Between Projected and Actual Earnings on Pension Plan Investments (Investment Experience)	12,822,475	21,776,351
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	8,448,428	13,377,284
Contributions for fiscal year end 06/30/2018 - SCRS	29,862,457	45,587,108
PORS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 60,933	\$ 52,889
Assumption Changes	648,542	562,926
Net Difference Between Projected and Actual Earnings on Pension Plan Investments (Investment Experience)	243,498	211,353
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	49,996	23,288
Contributions for fiscal year end 06/30/2018 - PORS	555,552	405,164
Total	<u>\$ 81,628,727</u>	<u>\$ 131,139,675</u>

See the following table for deferred inflows of resources for the University and the Authority:



	The University	The Authority
Deferred Inflows of Resources		
SCRS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 254,594	\$ 432,376
Net Difference in Deferred amounts from changes in Proportionate Share and differences between Employer Contributions & Proportionate Share of Total Plan Employer Contributions	—	905,119
PORS		
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	\$ 220,872	\$ 52,625
Total	\$ 475,466	\$ 1,390,120

Contributions received after the measurement date of \$30,418,009 for the University and \$45,992,272 for the Authority will be recorded as a reduction of the net pension liability during the year ended June 30, 2019. The remaining net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years ended June 30, and thereafter is as follows:

	The University	The Authority
SCRS		
2019	\$ 16,348,203	\$ 29,092,293
2020	22,645,134	37,540,411
2021	14,425,694	22,375,203
2022	(3,465,876)	(6,048,455)
Thereafter	—	—
Net Balance of Deferred Outflows/(Inflows) of Resources	\$ 49,953,155	\$ 82,959,452
PORS		
2019	\$ 240,860	\$ 228,887
2020	344,304	324,042
2021	204,850	224,812
2022	(7,917)	20,090
Thereafter	—	—
Net Balance of Deferred Outflows/(Inflows) of Resources	\$ 782,097	\$ 797,831

### **University Medical Associates**

University Medical Associates maintains several defined contribution pension plans established under the authority of Internal Revenue Code Section 401A. The plan titled "the UMA Retirement Plan" covering all UMA employees provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan prohibits participant contributions except for rollovers from other qualified retirement plans. Current year contributions are based upon a three-tier percentage determined by the participant's compensation as follows: (a) eleven percent of compensation up to \$40,000, (b) fourteen percent of compensation from \$40,001 to \$80,000, and (c) twenty-five percent of compensation from \$80,001 to \$244,000. Effective January 1, 2015 all new participants to the plan will receive contributions based on the following three-tier percentages determined by the participant's compensation: (a) five percent of compensation up to \$40,000, (b) eight percent of compensation up to \$80,000, and (c) fifteen percent of compensation up to \$250,000. The maximum annual contribution for FY 2018 per participant is \$51,000 for existing participants and \$30,700 for participants hired on or after January 1, 2015. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan for fiscal year 2017 were \$31,646,272, net of forfeitures of \$2,307,475.

UMA employees may also participate in an IRC Section 403(b) plan sponsored by UMA for which no employer contributions are made. The participants are fully vested in their contributions to the 403(b) plan at all times.



## 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The South Carolina Public Employee Benefit Authority (PEBA), described in note 7 - Pension Plans, administers the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF).

### Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

### Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

### Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2017 was 5.33 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

SCLTDITF benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA - Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the

primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

The following table provides the employer contributions used in the determination of employers' proportional shares of collective OPEB amounts reported:

		The University	The Authority
Proportionate Share of Contributions for the fiscal year ended June 30, 2017			
SCRHITF	Total employer contributions	\$ 13,207,104	\$ 19,493,999
	Contributions from nonemployer contributing entities	2,544,892	3,756,322
	Total contributions	<u>\$ 15,751,996</u>	<u>\$ 23,250,321</u>
SCLTDITF	Total employer contributions	\$ 162,781	\$ 219,504
	Contributions from nonemployer contributing entities	8,995	12,130
	Total contributions	<u>\$ 171,776</u>	<u>\$ 231,634</u>

Allocation Percentage of Proportionate Shares of Collective OPEB Amounts as of June 30, 2017

SCRHITF	3.208923%	4.736447%
SCLTDITF	2.248796%	3.032425%

### Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2017:

	SCRHITF	SCLTDITF
Total OPEB Liability	\$ 14,659,610,970	\$ 38,510,568
Plan Fiduciary Net Position	\$ 1,114,774,760	\$ 36,697,589
Employer's Net OPEB Liability	<u>\$ 13,544,836,210</u>	<u>\$ 1,812,979</u>

The University's and Authority's respective portions of the net OPEB liability of the plans are as follows:

	The University	The Authority
Portion of Collective Net OPEB Liability		
SCRHITF	3.208923%	4.736447%
SCLTDITF	2.248796%	3.032425%
Proportioned Share of Net OPEB Liability		
SCRHITF \$	434,643,365	\$ 641,543,988
SCLTDITF \$	40,770	\$ 54,977

For the year ended June 30, 2018, the University recognized OPEB expense of \$26,454,071 and \$182,003 related to SCRHITF and SCLTDITF OPEB plans, respectively. The Authority recognized OPEB expense of \$39,046,840 and \$245,425 related to SCRHITF and SCLTDITF plans, respectively.

### Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan Investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base table based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan Investment expense; including inflation
Single Discount Rate:	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year; the discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

## Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

## Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
U.S.Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
<b>Total</b>	<b>100.00%</b>		<b>1.84%</b>
Expected Inflation			2.25%
<b>Total Return</b>			<b>4.09%</b>
<b>Investment Return Assumption</b>			<b>4.00%</b>

## Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

## Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<b>1.00% Decrease (2.56%)</b>	<b>Current Single Discount Rate (3.56%)</b>	<b>1.00% Increase (4.56%)</b>
SCRHITF Net OPEB Liability	\$15,951,988,645	\$13,544,836,210	\$11,604,082,103

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
SCRHITF Net OPEB Liability	\$11,107,326,981	\$13,544,836,210	\$16,700,824,804

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.87%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<b>Current Single Discount Rate</b>		
	<b>1.00% Decrease (2.87%)</b>	<b>(3.87)%</b>	<b>1.00% Increase (4.87%)</b>
SCLTDITF Net OPEB Liability	\$3,225,261	\$1,812,979	\$426,690

The following tables present the sensitivity of the University's and the Authority's net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the University's and the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percent lower (2.56 percent) or 1.00 percent higher (4.56 percent) than the current rate for SCRHITF and using the discount rate of 3.87 percent, as well as what the University's and the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percent lower (2.87 percent) or 1.00 percent higher (4.87 percent) than the current rate for SCLTDITF.

	<u>The University</u>	<u>The Authority</u>
<b>SCRHITF</b>		
1.00% Decrease (2.56%)	\$ 511,887,033	\$ 755,557,488
Current Discount Rate (3.56%)	\$ 434,643,365	\$ 641,543,988
1.00% Increase (4.56%)	\$ 372,366,060	\$ 549,621,199

<b>SCLTDITF</b>		
1.00% Decrease (2.87%)	\$ 72,530	\$ 97,804
Current Discount Rate (3.87%)	\$ 40,770	\$ 54,977
1.00% Increase (4.87%)	\$ 9,595	\$ 12,939

The following table presents the sensitivity of the University's and the Authority's net OPEB liability calculated using the healthcare cost trend rates if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher than the current rate.

	<u>The University</u>	<u>The Authority</u>
<b>SCRHITF</b>		
1.00% Decrease (6.00%)	\$ 356,425,570	\$ 526,092,656
1.00% Increase (8.00%)	\$ 535,916,608	\$ 791,025,715

#### **Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

Deferred outflows of resources were related to differences between expected and actual experience and contributions made after the measurement date. The difference between expected and actual earnings on OPEB plan investments is amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) which is a closed five-year period. The first year of amortization is recognized as OPEB expense with the remaining years shown as a deferred outflow or resources. See the following table for deferred outflows of resources for the University and the Authority:

	<u>The University</u>	<u>The Authority</u>
Deferred Outflows of Resources		
<b>SCRHITF</b>		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments (Investment Experience)	\$ 746,839	\$ 1,102,353
Contributions for fiscal year end 06/30/2018 - SCRHITF	14,894,545	22,131,933
<b>SCLTDITF</b>		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments (Investment Experience)	19,644	26,489
Contributions for fiscal year end 06/30/2018 - SCLTDITF	164,072	225,475
<b>Total</b>	<u>\$ 15,825,100</u>	<u>\$ 23,486,250</u>

The difference between the expected and actual experience in total OPEB liability, assumption changes and the outstanding inflow balance between employer contributions and proportionate share of plan contributions are amortized over 5 years. See the following table for deferred inflows of resources for the University and the Authority:

	The University	The Authority
Deferred Inflows of Resources		
SCRHITF		
Net Difference Between Expected and Actual Experience in Total OPEB Liability (TOPEBL)	\$ 188,640	\$ 278,437
Assumption Changes	40,897,918	60,366,305
Outstanding Inflow Balance Between Employer Contributions & Proportionate Share of Plan Contributions	6,217	9,177
SCLTDITF		
Assumption Changes	3,699	4,988
Outstanding Inflow Balance Between Employer Contributions & Proportionate Share of Plan Contributions	\$ 1,011	\$ 1,364
Total	<u>\$ 41,097,485</u>	<u>\$ 60,660,271</u>

Contributions received after the measurement date of \$15,058,617 for the University and \$22,357,408 for the Authority will reduce the net OPEB liability during the year ended June 30, 2019. The remaining net amount of deferred outflows of resources and deferred inflows of resources that will be recognized in OPEB expense during the next five years ended June 30, and thereafter is as follows:

	The University	The Authority
SCRHITF		
2019	\$ (6,392,344)	\$ (9,435,253)
2020	(6,392,344)	(9,435,253)
2021	(6,392,344)	(9,435,253)
2022	(6,392,344)	(9,435,253)
2023	(6,579,054)	(9,710,842)
Thereafter	(8,197,506)	(12,099,712)
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ (40,345,936)</u>	<u>\$ (59,551,566)</u>
SCLTDITF		
2019	\$ 4,385	\$ 5,913
2020	4,385	5,913
2021	4,385	5,913
2022	4,385	5,913
2023	(526)	(709)
Thereafter	(2,080)	(2,806)
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ 14,934</u>	<u>\$ 20,137</u>

## **University Medical Associates**

### **Plan Description**

UMA sponsors the Retiree Benefit Plan for Employees of University Medical Associates (the Plan), a single-employer defined benefit healthcare plan administered through an irrevocable trust agreement adopted by the UMA Board with an effective date of June 26, 2008. The trust meets the definition of a qualifying trust as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Plan may be amended by future actions of the UMA Board of Directors. The Plan, which has a June 30 year-end, issues a separate stand-alone financial report which may be obtained by sending requests to the Controller, University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 335, Charleston, SC 29407.

### **Benefits Provided**

The Plan provides continuation of medical, dental and prescription drug benefits for retirees and their dependents. Benefits are provided through UMA's self-insured health plan and administered by a third-party administrator. This coverage is considered primary until age 65 or until the employee is covered under Medicare, at which time it becomes the secondary payer.

### **Employees covered by benefit terms**

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	56
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	39
Total	<u>95</u>

A participant is eligible to receive coverage under the Plan upon satisfying the following criteria:

- Employees hired before 2002 are eligible for coverage at the later of age 62 and completion of 15 years of service.
- Employees hired after 2001 are eligible for coverage after attainment of age 62 and completion of 20 years of service.
- Disabled employees with 15 years of service (20 if hired after 2001) are eligible for coverage if approved by an appropriate Group LTD carrier of Social Security.

Effective January 22, 2015, employees hired on or after January 1, 2015 are not eligible to participate in the Plan and will not receive any Plan benefits. Effective June 30, 2016, employees who attained age 55 or completed twenty years of service after June 30, 2016 are not eligible to participate in the Plan and will not receive any Plan benefits. An individual who was eligible prior to June 30, 2016 and retired on or prior to June 30, 2016 remains eligible for Plan benefits. Coverage is provided for the lifetime of the participant. Coverage is also provided to spouses of retirees who are currently receiving benefits. If a retiree predeceases his/her spouse, coverage for the surviving spouse continues for life of the widower/widow.

### **Contributions**

The contributions of Plan members and UMA are established each year by action of the UMA Board pursuant to changes in the healthcare environment to ensure its self-insured healthcare plan remains viable. Eligible retirees are required to pay monthly premiums as follows depending on coverage: Retiree only-\$200; Retiree and Spouse-\$391. Employer contributions are determined by actuarially determined rates.

### **Net OPEB Liability (Asset)**

UMA's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of January 1, 2018. The following table represents the components of the net OPEB liability as of June 30, 2018:

Total OPEB Liability	\$ 5,369,191
Plan Fiduciary Net Position	\$ 5,375,025
Net OPEB Liability (Asset)	\$ (5,834)

### **Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Inflation rate	2.30 percent annual increase
Salary increases	2.00 percent, compounded annually
Investment rate of return	5.5 percent, compounded annually
Discount rate	5.50 percent
Municipal bond rate	3.87 percent
Healthcare cost trend rates	Medical Pre-65 retirees: 6.8 percent for 2018 decreasing gradually to 5.10 percent in 2024 Medical Post-65 retirees: 8.30 percent for 2018 decreasing gradually to 5.30 percent in 2025 Dental all retirees: 4.83 percent

Mortality rates were based on the Healthy Pre-retirement-RP-2006 system tables with generational mortality improvements using scale MP-2017. Healthy Post-retirement-RP-2006 system tables with generational mortality improvements using scale MP-2017. Disabled Retirement Participants-RP-2006 system tables with generational mortality improvements using scale MP-2017.



The actuarial assumptions used in the June 30, 2018 valuation were based on the reconstructed results of prior actuaries. A new actuarial experience study will be completed once they have at least three years of data for the period January 2017-December 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	47%	5.70%
International Developed	13%	6.50%
International Emerging	3%	7.00%
Fixed Income	34%	4.36%
Cash	3%	2.61%
Total	100%	

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that UMA contributions will be made at rates equal to current benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate was also reduced from the previously used 7.5 percent to 5.5 percent to match the investment rate of return.

#### **Sensitivity Analysis**

The following presents the net OPEB liability (asset) of the Plan, calculated using the discount rate of 5.50 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.50 percent) or one percentage point higher (6.50 percent) than the current rate:

	1.00% Decrease (4.50%)	Discount Rate (5.50%)	1.00% Increase (6.50%)
Net OPEB Liability (Asset) \$	740,067 \$	(5,834) \$	(623,038)

The following presents the net OPEB liability (asset) of the Plan, calculated using the current healthcare cost trend rates as well as the Plan's net OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates:

	1.00% Decrease	Current Trend Rate	1.00% Increase
Net OPEB Liability (Asset) \$	(636,566) \$	(5,834) \$	754,726

#### **Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, UMA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 74,239	\$ —
Changes of assumptions	168,132	—
Net difference between projected and actual earnings	—	75,381
Total	\$ 242,371	\$ 75,381

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



**Year ended June 30**

2019	\$	223,526
2020		(18,845)
2021		(18,845)
2022		(18,846)
2023		—
Thereafter		—
Net balance of Deferred Outflows(Inflows) of Resources	\$	<u>166,990</u>

## 9. DEFERRED COMPENSATION PLANS

Several voluntary deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the University and the Authority have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 415, specifically for 457, 401(k), and 403(b) plans, are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment, when they attain age 59 1/2 or as otherwise specified by the applicable plan and/or IRC regulation. Employees may also withdraw contributions prior to termination if they meet age requirements specified by the applicable plan and/or IRC regulation.

Certain employees have elected to participate in a Section 403(b) plan through a financial provider approved by the University. The University believes it is compliant with Internal Revenue Service regulations that went into effect January 1, 2009. The plan is administered by various unrelated financial institutions, four of which are institutions who are contracted to provide the PEBA State ORP defined contribution plans.

Employees of Carolina Primary Care Physicians, P.A. (CPCP) and Carolina Health Management Services (CHMS), component units of UMA, participate in a deferred compensation plan under Internal Revenue Code Section 401(k) which allows employees to defer up to \$23,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$265,000. A separate employer contribution of five percent for all physicians and eight percent for all non-physician employees is made for all eligible compensation. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five and eight percent employer contributions vest ratably over a 5-year period. Total employer contributions to this plan for the fiscal year ending June 30, 2018 were \$1,145,333.

## 10. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2018 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined, but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

The University and UMA are involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters including medical malpractice and faculty contracts. In the opinion of management, the outcome of the legal proceedings and claims is not expected to have a material adverse effect on the financial positions of the entities.

The University had outstanding commitments related to capital projects of \$6,644,360 at June 30, 2018. The University anticipates funding these projects out of current resources, proceeds from debt issuances, private gifts, federal capital grants, special appropriations, and state capital improvement bond proceeds.

## 11. PAYABLES AND ACCRUED LIABILITIES

The following table reflects the payables and accrued liabilities as of June 30, 2018:

	The University	UMA	Nonmajor Enterprise Fund CHS
Accounts payable	\$ 13,170,982	\$ 5,963,093	\$ —
Retainages	91,317	—	—
Accrued payroll and related liabilities	15,416,725	30,699,036	—
Accrued Interest	1,060,731	221,421	135,450
Other	213,362	3,169,779	—
	<u>\$ 29,953,117</u>	<u>\$ 40,053,329</u>	<u>\$ 135,450</u>

## 12. LONG TERM LIABILITIES

### ***University and Blended Component Units***

Long term liability activity for the year ended June 30, 2018 for the University and its blended component units was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b><u>The University</u></b>					
State institution bonds payable	\$ 48,050,000	\$ —	\$ (4,620,000)	\$ 43,430,000	\$ 4,090,000
Revenue bond payable	25,115,000	—	(1,350,000)	23,765,000	1,370,000
Capital leases payable	97,733	27,189	(42,806)	82,116	34,688
Compensated absences payable	27,302,520	16,989,495	(16,747,117)	27,544,898	16,747,117
Premium on state institution bond	3,359,295	—	(496,532)	2,862,763	421,920
Premium on revenue bond	2,166,148	—	(288,659)	1,877,489	278,135
Total University long-term liabilities	106,090,696	17,016,684	(23,545,114)	99,562,266	22,941,860
Interfund payables	12,214,281	—	(1,371,620)	10,842,661	1,432,675
Due to component unit	42,352,377	—	(774,130)	41,578,247	836,435
Federal loan program liability	12,771,155	421,516	(202,258)	12,990,413	—
Pension Liability	437,253,120	53,192,388	(24,277,264)	466,168,244	—
OPEB Liability - as restated	464,302,835	26,636,074	(56,254,774)	434,684,135	—
Total University long term liabilities	1,074,984,464	97,266,662	(106,425,160)	1,065,825,966	25,210,970
<b><u>University Medical Associates</u></b>					
Variable rate demand bonds	62,085,000	—	—	62,085,000	1,700,000
Term loan payable	6,003,209	—	(3,791,500)	2,211,709	2,211,709
Fixed rate revenue bond	11,690,000	—	(1,315,000)	10,375,000	1,355,000
Capital leases payable	290,885	783,004	(387,270)	686,619	389,779
MUHA minority interest in MUSC Health	771,791	—	(127,858)	643,933	—
Compensated absences payable	3,859,212	5,878,987	(5,743,137)	3,995,062	2,397,037
Total UMA long-term liabilities	84,700,097	6,661,991	(11,364,765)	79,997,323	8,053,525
Fair value of derivative instruments	3,760,609	—	(2,537,571)	1,223,038	—
Total UMA long term liabilities	88,460,706	6,661,991	(13,902,336)	81,220,361	8,053,525
<b><u>Nonmajor Enterprise Fund</u></b>					
<b>CHS Development Company</b>					
Notes payable	13,575,000	—	(1,535,000)	12,040,000	1,580,000
Total CHS long term liabilities	13,575,000	—	(1,535,000)	12,040,000	1,580,000
Grand total	\$1,177,020,170	\$ 103,928,653	\$(121,862,496)	\$1,159,086,327	\$ 34,844,495

**Major Discretely Presented Component Unit**

Long term liability activity for the year ended June 30, 2018 for the Authority was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Medical University Hospital Authority</b>					
GNMA mortgage backed securities (Series 2012)	\$ 299,592,013	\$ —	\$ (14,886,549)	\$ 284,705,464	\$ 15,330,159
GNMA mortgage backed securities (Series 2013)	40,592,349	—	(2,180,949)	38,411,400	2,266,413
GNMA mortgage backed securities (Series 2016)	44,529,222	102,474,786	—	147,004,008	—
Wells Fargo note payable	8,465,765	—	(1,359,441)	7,106,324	1,407,650
Everbank Commercial Finance note payable	—	1,069,710	(210,917)	858,793	426,028
Capital leases payable	12,679,977	5,630,919	(5,248,230)	13,062,666	4,395,495
Total Authority long-term liabilities	405,859,326	109,175,415	(23,886,086)	491,148,655	23,825,745
Pension Liability	746,860,160	87,547,219	(48,389,744)	786,017,635	—
OPEB liability	—	724,632,486	(83,033,521)	641,598,965	—
Other liabilities	7,229,315	2,426,755	—	9,656,070	—
Total Authority long term liabilities	<u>\$1,159,948,801</u>	<u>\$923,781,875</u>	<u>\$(155,309,351)</u>	<u>\$1,928,421,325</u>	<u>\$ 23,825,745</u>

**13. BONDS AND NOTES PAYABLE**

**Bonds Payable - University and Blended Component Units**

The University's bonds payable at June 30, 2018 consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2018
State Institution Bonds:			
2011D series dated 03/01/2011	3.00 - 5.00%	03/01/2031	\$ 13,670,000
2012B refunding dated 05/01/2012	2.50 - 4.177%	04/01/2024	4,505,000
2016D refunding dated 03/01/2016	3.00 - 4.086%	04/01/2036	25,255,000
Total state institution bonds			<u>43,430,000</u>
Refunding Revenue Bonds:			
2017 series dated 04/11/2017	3.00 - 5.00%	10/1/2031	23,765,000
			<u>\$ 67,195,000</u>

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were \$6,634,681 which resulted in a legal debt margin at June 30, 2018, of \$5,971,213.

The scheduled maturities of the State Institution Bonds are as follows:

Year Ending June 30,	State Institution Bonds		
	Principal	Interest	Total
2019	\$ 4,090,000	\$ 1,881,213	\$ 5,971,213
2020	4,245,000	1,676,713	5,921,713
2021	2,485,000	1,464,463	3,949,463
2022	2,610,000	1,340,213	3,950,213
2023	2,725,000	1,209,713	3,934,713
2024 - 2028	11,840,000	4,341,656	16,181,656
2029 - 2033	10,785,000	1,725,450	12,510,450
2034 - 2036	4,650,000	281,700	4,931,700
	<u>\$ 43,430,000</u>	<u>\$ 13,921,121</u>	<u>\$ 57,351,121</u>

For the year ended June 30, 2018, the University made principal payments of \$4,620,000 and interest payments of \$2,096,313 related to the State Institution Bonds.

On April 11, 2017, the University issued \$25,115,000 of Refunding Revenue Bonds (2017 refunding) at a premium (net of the underwriter's discount) of \$2,237,352. The net proceeds were used to advance refund the \$27,080,000 principal balance of Higher Education Revenue Bonds, Series 2006 issued in fiscal year 2007. The net proceeds (after payment of closing costs of \$161,571) were deposited into an irrevocable escrow fund with an escrow agent to pay the redemption price of the Refunded Bonds. Upon funding of the Escrow Funds, the Refunded Bonds will be legally defeased under the terms of the Bond Resolution. As a result, the aforementioned Higher Education Revenue Bond to the extent of the principal refunded is considered to be defeased and the liability for this bond has been removed from the Statement of Net Position.

As a result of the refunding, the University reduced its total debt service payments over the next fourteen years by approximately \$3,519,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,638,000.

The premium related to the Refunding Revenue Bonds, Series 2017 is being amortized over the fourteen year life of the issue using the effective interest method.

The scheduled maturities of the Refunding Revenue Bonds are as follows:

Year Ending June 30,	Refunding Revenue Bonds		
	Principal	Interest	Total
2019	\$ 1,370,000	\$ 982,144	\$ 2,352,144
2020	1,430,000	918,994	2,348,994
2021	1,500,000	853,244	2,353,244
2022	1,565,000	784,119	2,349,119
2023	1,645,000	703,869	2,348,869
2024 - 2028	9,515,000	2,232,694	11,747,694
2029 - 2033	6,740,000	314,584	7,054,584
	<u>\$ 23,765,000</u>	<u>\$ 6,789,648</u>	<u>\$ 30,554,648</u>

For the year ended June 30, 2018, the University made principal payments of \$1,350,000 and interest payments of \$1,000,626 related to the Refunding Revenue Bonds, Series 2017 during the year ended June 30, 2018.

On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2008 Bonds) in the amount of \$62,085,000 in conjunction with the refunding of its 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities (SAVRS). The proceeds of the Series 2008 Bonds were used to fully redeem the 1999 A&B SAVRS and pay certain costs of issuance. The Series 2008 Bonds mature in various installments ranging from \$1,700,000 to \$3,900,000 beginning on July 1, 2019 with final maturity on July 1, 2037.

Payments relative to the Series 2008 Bonds were originally secured by, among other things, an irrevocable, direct-pay letter of credit (Credit Facility) issued by Wells Fargo Bank, NA (successor by merger to Wachovia Bank, NA) pursuant to a Reimbursement and Security Agreement between UMA and Wells Fargo dated December 1, 2008. The original Credit Facility was due to expire on December 18, 2011. Due to the upcoming initial expiration date of the Credit Facility, UMA requested that the South Carolina Jobs Economic Development Authority and the Bond trustee execute a mandatory tender for purchase of the Series 2008 Bonds and amend and restate the Master Trust Indenture to provide for the Index Rate Mode relative to the interest due on the Bonds. The transaction was executed on June 23, 2011. Following the amendment of the original Master Trust Indenture, the Bonds were reissued and purchased at par in the Index Rate Mode by Wells Fargo Bank, NA (Wells Fargo) pursuant to a Continuing Covenant Agreement dated June 23, 2011 between UMA and Wells Fargo. The original Credit Facility and the related Reimbursement and Security Agreement were terminated as of the closing of Wells Fargo's direct purchase of the reissued Bonds (Reissued Bonds).

Under the Index Rate Mode during the initial period, interest accruing to Wells Fargo is computed at 75% of the one-month LIBOR plus 0.88%. On August 18, 2016, the Reissued Bonds were restructured and extended the index interest rate period through August 18, 2021 with interest rates accruing to Wells Fargo computed at 75% of the one-month LIBOR plus 0.75% until August 18, 2021 in the Second Amended and Restated Series 2008 Bond Indenture. On August 18, 2021 the Reissued Bonds will be subject to mandatory tender by UMA. If not successfully remarketed on that date, all amounts outstanding will be due and payable on such tender date. On February 1, 2018, UMA was notified that under the Master Trust Indenture, the interest rate on the reissued bonds was increasing to 91% of one-month LIBOR plus 0.91%, due to changes in the maximum corporate tax rate under the Tax Cuts and Jobs Act. UMA is currently in negotiations with Wells Fargo to reduce this interest rate to current market and expects to refund this debt in the coming months.

As of June 30, 2018, the annual effective variable interest rate incurred on the Reissued Bonds was 2.341%, determined in accordance with the Index Rate Mode formula described above. However, UMA has synthetically converted the overall interest cost to a rate that,

because of the structure of the payer-side arrangement, is a near fixed rate proxy using derivative financial instruments as described below.

As security for repayment of the Reissued Bonds and other obligations issued under the Bond Indenture and Master Trust Indenture (as amended and restated on June 23, 2011), UMA has granted to the master trustee a security interest in its Pledged Assets, subject to permitted liens and subject to the right of the Members of the Obligated Group to transfer property, plant and equipment and cash and investments free of the security interest created in the Pledged Assets under certain specified circumstances as further set forth in the Master Trust Indenture. Pledged Assets consist of the UMA Receipts of each Member of the Obligated Group (as defined, which currently consists solely of UMA). "UMA Receipts" means all accounts and assignable general intangibles of each Member of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof and therefrom whether cash or noncash; excluding, however, (a) gifts, grants, bequests, donations, contributions, charitable pledges, or other contract or property rights to any Member of the Obligated Group heretofore or hereafter made, and the income and gains and other proceeds derived therefrom, to the extent any of the foregoing are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Trust Indenture or on any obligations; (b) mandatory transfers to MUSC and MUSCF; (c) transfers under the ambulatory care and primary care agreements; and (d) non-UMA revenues. All obligations issued under the Master Trust Indenture are secured *pari passu* by the security interest in the Pledged Assets created by the Master Trust Indenture including a Leasehold Mortgage and Security Agreement under which, among other things, UMA grants to the Master Trust a leasehold mortgage and security interest in its rights under tan in respect of the Rutledge Tower lease and subleases as well as a first mortgage on the Parkshore Center property acquired in 2015. The Members of the Obligated Group are also subject to certain covenants under the Master Trust Indenture restricting, among other things, incurrence of indebtedness, existence of liens, consolidation or merger and disposition of assets. UMA is currently the only Member of the Obligated Group.

The Reissued Bonds were issued pursuant to a resolution by the South Carolina Jobs-Economic Development Authority in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. These Bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code.

The original proceeds of the Series 2008 Bonds and the Wells Fargo Term Loan (described in the Notes Payable section) were used in fiscal 2009 to advance refund outstanding SAVRS direct note obligations, terminate previous swap agreements and pay issue costs. The refunding transaction resulted in a loss of \$26,736,722 which was amortized over the shorter life of the refunded debt that is the period ending on May 15, 2027, using the effective interest method.

The mandatory tender of the Series 2008 Bonds and the direct purchase of the Reissued Bonds executed on June 23, 2011, as described above, were accounted for as a refunding transaction under GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. The proceeds of \$62,085,000 from the direct purchase of the Reissued Bonds by Wells Fargo were used, along with \$314,542 of UMA's cash, to advance refund outstanding Series 2008 South Carolina Jobs Economic Development Authority Variable Rate Revenue Bonds of \$62,085,000, to pay accrued interest of \$1,462 and issue costs of \$313,080. This refunding resulted in an economic loss of \$7,341,936 and an increase in cash flows of \$9,807,716 due to increased interest costs. The deferred loss on refunding resulting from the most recent refunding, together with the unamortized difference from the previous refunding described in the preceding paragraph, in the total amount of \$22,346,892, are being amortized over the original amortization period remaining from the previous refunding, i.e. the period ending on May 15, 2027, using the effective interest method.

UMA has entered into an interest rate swap agreement with Wells Fargo to modify interest rates on both of the Bonds (represented first by the Series 2008 Bonds and then by the Reissued Bonds). The swap related to the Reissued Bonds limits the impact of fluctuations in the LIBOR by converting the variable interest rate paid on the Bonds into a rate equal to 3.0128% plus 24% of the one-month LIBOR. The Bonds swap agreement was entered into on December 5, 2008 with an effective date of December 18, 2008, and matures on July 1, 2037. The notional amount as of June 30, 2018 is \$62,085,000 which equals the principal outstanding. Under the Reissued Bonds swap agreement, UMA pays Wells Fargo a fixed interest payment of 2.1028% and receives a variable payment equal to 67% of the one-month LIBOR. The variable rate in effect at June 30, 2018 was 1.37402%.

The Reissued Bonds swap agreement is considered an investment derivative instrument under GASB Statement No. 53 as of June 30, 2018. The previously established hedging relationship between the original Series 2008 Bonds and the related interest rate swap was discontinued in connection with the refunding transaction executed on June 23, 2011. At that time, the deferred inflows associated with the hedging derivative instrument of \$1,696,000 were included in the calculation of the loss on the refunding transaction in accordance with GASB Statement No. 23. Following the refunding, the existing swap, which was not terminated in connection with the refunding, was associated with the Reissued Bonds and proven to constitute an effective hedging derivative instrument under GASB Statement No. 53. Accordingly, changes in the swap's fair value since the time it was associated with the Reissued Bonds were being reported as deferred inflows/outflows. During the year ended June 30, 2018, UMA determined that the derivative instrument no longer was an effective hedging instrument. As such, the amounts associated with this derivative instrument previously reported in deferred outflows were reclassified to noncurrent liabilities and the current year change in the fair value of the investment derivative instrument was recorded in investment income. The deferred loss on refunding is being amortized as an adjustment of deferred inflows/outflows and interest expense on a straight-line basis over the remaining life of the swap.

As of June 30, 2018, the fair value of the Reissued Bonds swap agreement was a negative (\$1,220,296). The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Consistent with the guidance provided by GASB Statement No. 53, the negative fair value of the Reissued Bonds swap agreement has been recorded on the Statement of Net Position as a noncurrent liability since the swap is considered an investment derivative instrument. The increase in the fair value of the Series 2008 Bonds' cash flow swap during fiscal year 2018 of \$2,480,861 is recognized in investment income in these financial statements.



UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wells Fargo Bank, counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2018. Should the estimated termination value of the Series 2008 Bonds swap or the Term Loan swap, which is discussed in the Notes Payable section of this note, (assuming their early termination) become negative to UMA, UMA will be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department pursuant to amendments to the ISDFA and Credit Support Annex dated June 9, 2015. As of June 30, 2018, UMA has posted collateral totaling \$1,990,000 under this requirement.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." UMA is subject to this basis risk on the Reissued Bonds as of June 30, 2018 as the indexed variable rate is 67% of the one month LIBOR and the actual market-determined borrowing rate is 91% of the one-month LIBOR plus 0.91%.

The Reissued Bonds swap derivative contract incorporates the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would generally be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would generally receive a payment from the counterparty.

Using rates as of June 30, 2018, debt service requirements of UMA's Reissued South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Reissued SC JEDA Variable Rate Demand Bonds				
Ending June 30,	Principal	Interest	Swap Payment, Net	Total Debt Service
2019	\$ 1,700,000	\$ 1,413,613	\$ 440,086	\$ 3,553,699
2020	3,500,000	1,331,678	414,578	5,246,256
2021	2,925,000	1,263,204	393,260	4,581,464
2022	2,525,000	1,204,093	374,858	4,103,951
2023	2,600,000	1,143,227	355,909	4,099,136
2024 - 2028	14,105,000	4,745,675	1,477,423	20,328,098
2029 - 2033	16,170,000	2,952,235	919,090	20,041,325
2034 - 2038	18,560,000	893,443	278,148	19,731,591
	—	—	—	—
Totals	\$ 62,085,000	\$ 14,947,168	\$ 4,653,352	\$ 81,685,520

On June 9, 2015, UMA issued Series 2015 South Carolina Jobs-Economic Development Authority Fixed Rate Revenue Bonds (Series 2015 Bonds) in the amount of \$14,175,000 to finance a portion of the \$28.4 million purchase of the Parkshore Center office building with will house the Revenue Cycle, Information Systems, and certain Authority personnel. The Series 2015 Bonds are secured by the same Master Trust Indenture as the Reissued Bonds and the assignment of all lease payments due from the Authority under a related lease agreement. The Series 2015 Bonds mature in various monthly installments ranging from \$70,000 to \$135,000 beginning on July 1, 2015 with final maturity on June 2, 2025 and bear interest at 3.35% per annum after the change due to the Tax Cuts and Jobs Act.

Reissued SC JEDA Fixed Rate Revenue Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 1,355,000	\$ 327,193	\$ 1,682,193
2020	1,390,000	270,497	1,660,497
2021	1,435,000	247,140	1,682,140
2022	1,490,000	195,381	1,685,381
2023	1,525,000	141,998	1,666,998
2024 - 2028	3,180,000	109,085	3,289,085
Totals	\$ 10,375,000	\$ 1,291,294	\$ 11,666,294

### ***Mortgage Backed Securities - Major Discretely Presented Component Unit***

On December 19, 2012, the Authority refinanced its 2004 Series A and B bonds with Government National Mortgage Agency (GNMA) mortgage backed securities (MBS) (Series 2012). The annual interest rate associated with the GNMA MBS (Series 2012) is a fixed 2.94%. The scheduled maturities of the Authority's GNMA MBS (Series 2012) are as follows:

Fiscal Year Ending	GNMA MBS (Series 2012)		
<u>June 30,</u>	Principal	Interest	Total
2019	\$ 15,330,159	\$ 8,164,862	\$ 23,495,021
2020	15,786,989	7,708,032	23,495,021
2021	16,257,432	7,237,589	23,495,021
2022	16,741,894	6,753,127	23,495,021
2023	17,240,793	6,254,228	23,495,021
2024-2028	94,223,571	23,251,535	117,475,106
2029-2033	109,124,626	8,350,474	117,475,100
2034-2038	—	—	—
Total	<u>\$ 284,705,464</u>	<u>\$ 67,719,847</u>	<u>\$ 352,425,311</u>

On December 30, 2013, the Authority refinanced its 2004 Central Energy Plant Economic Development Revenue Bonds (CEP Series 2004 bonds) with Government National Mortgage Agency (GNMA) mortgage backed securities (MBS) (Series 2013). The annual interest rate associated with the GNMA MBS (Series 2013) is a fixed 3.85%. The scheduled maturities of the Authority's GNMA MBS (Series 2013) are as follows:

Fiscal Year Ending	GNMA MBS (Series 2013)		
<u>June 30,</u>	Principal	Interest	Total
2019	\$ 2,266,413	\$ 1,439,124	\$ 3,705,537
2020	2,355,226	1,350,311	3,705,537
2021	2,447,520	1,258,017	3,705,537
2022	2,543,430	1,162,107	3,705,537
2023	2,643,099	1,062,438	3,705,537
2024-2028	14,852,705	3,674,979	18,527,684
2029-2033	11,303,007	739,985	12,042,992
Total	<u>\$ 38,411,400</u>	<u>\$ 10,686,961</u>	<u>\$ 49,098,361</u>

On November 17, 2016, the Authority closed on a on a \$316.4 million mortgage insured by HUD through the Federal Housing Administration's (FHA's) Section 242 Hospital Mortgage Insurance Program. The principal amount of the mortgage will bear interest at 3.59% and will be amortized over 25 years. As of June 30, 2018, the Authority received \$147 million in net mortgage proceeds (after payment of \$5.2 million in issuance costs) and made monthly payments of interest only on the principal balance. The first principal payment will be due after final endorsement which is expected in the fall of 2019. The scheduled maturities are as follows:

Fiscal Year Ending	GNMA MBS (Series 2016)		
<u>June 30,</u>	Principal	Interest	Total
2019	—	—	—
2020	7,288,255	10,303,736	17,591,991
2021	8,228,773	10,962,490	19,191,263
2022	8,529,096	10,662,167	19,191,263
2023	8,840,379	10,350,884	19,191,263
2024-2028	49,420,762	46,535,553	95,956,315
2029-2033	58,957,893	36,998,422	95,956,315
2034-2038	5,738,850	3,097,652	8,836,502
Total	<u>\$ 147,004,008</u>	<u>\$ 128,910,904</u>	<u>\$ 275,914,912</u>

### **Notes Payable - University and Blended Component Units**

On December 18, 2008, UMA borrowed \$37,915,000 via a taxable term loan payable to Wells Fargo Bank, NA (the Term Loan) to cover the taxable portion of the refunding of the aforementioned SAVRS. The proceeds of the Term Loan were used to fully redeem the outstanding 1994 and 1997 SAVRS, terminate the previously outstanding swap agreements, and pay certain costs of issuance. The Term Loan is being amortized over a ten year period and payable in level monthly principal installments of \$315,958 plus interest through January 1, 2019. The ten-year repayment schedule was originally conditional on the successful renewal or replacement of the above-referenced Credit Facility (see Bonds Payable section). In connection with the above described direct purchase of the Reissued Bonds by Wells Fargo on June 23, 2011, the term of the Term Loan was extended to match the initial term of the Interest Rate Mode of the Reissued Bonds held by Wells Fargo.

UMA pays interest on the Term Loan at the rate equal to the one-month LIBOR plus 1.00% pursuant to Amendment Seven of the Restated Loan Agreement effective June 23, 2016. As of June 30, 2018, the annual effective variable interest rate incurred on the Term Loan was 3.2825%. However, UMA has synthetically converted the overall interest cost to a fixed rate using derivative financial instruments as described below.

The Term Loan is governed by a conventional loan agreement and additional security documents entered into by UMA in favor of Wells Fargo Bank as well as the various security documents under the Master Trust Indenture.

UMA has entered into an interest rate swap agreement with Wells Fargo to modify cash flows on the Term Loan in an effort to convert its variable rate to a synthetic fixed rate of 3.569% after the Seventh Amendment to the Restated Loan Agreement dated June 23, 2016. The swap agreement related to the Term Loan was entered into on December 5, 2008 with an effective date of December 18, 2008 and matures January 2, 2019. The notional amount as of June 30, 2018 was \$2,211,709 which equaled the principal outstanding. Under the swap agreement, UMA pays Wells Fargo a fixed interest payment of 3.869% on the Term Loan. UMA receives a variable payment equal to the one-month LIBOR plus 1.30% on the swap associated with the Term Loan. The variable rate for the Wells Fargo term loan in effect at June 30, 2018 was 3.3007%.

As of June 30, 2018, the fair value of the Term Loan swap was a negative (\$2,742). The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Consistent with the guidance provided by GASB Statement No. 53, the negative fair value of the Term Loan swap agreement has been recorded on the Statement of Net Position as a noncurrent liability since the swap is considered an investment derivative instrument. The increase in the fair value of the term loan cash flow swap during fiscal year 2018 of \$56,710 is recognized in investment income in these financial statements.

As of June 30, 2018, UMA is exposed to counterparty credit risk in the amount of the swap agreement's fair value. Wells Fargo, the counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2016. Should the estimated termination value of the Term Loan swap or the Reissued 2008 Bonds swap, which is discussed in the Bonds Payable section of this note, (assuming their early termination) become negative to UMA, UMA will be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department, pursuant to amendments to the ISDFA and Credit Support Annex dated June 9, 2015. As of the June 30, 2018, UMA has posted collateral totaling \$1,990,000 under this requirement.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." Basis risk has been eliminated on the Term Loan as both the payment received and the borrowing rate are determined based on the one month LIBOR plus a spread of 1.30% and the borrowing rate on the debt are determined based on the one-month LIBOR plus a spread of 1.00%.

The Term Loan swap derivative contract incorporates the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would generally be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would generally receive a payment from the counterparty.

Using rates as of June 30, 2018, debt service requirements of UMA's Wells Fargo Term Loan and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	Wells Fargo term loan			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2019	\$ 2,211,709	\$ 36,300	\$ 6,285	\$ 2,254,294
2020	—	—	—	—
2021	0	—	—	—
Totals	\$ 2,211,709	\$ 36,300	\$ 6,285	\$ 2,254,294

UMA has a line of credit with Wells Fargo Bank with a maximum borrowing limit of \$10 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR plus .75% and is secured by all unrestricted accounts receivable. During fiscal year 2018, there were no advances under this line of credit, and there was no outstanding balance as of June 30, 2018. In June 2017, this line of credit expired and was renewed with basically the same terms through June 22, 2019.

On November 1, 2003, the South Carolina Jobs-Economic Development Authority issued Economic Development Revenue Bonds (CHS Development Company Project) Series 2003 (CHS Series 2003 Bonds) in the amount of \$32,985,000 with final maturity on January 1, 2025. Interest rates range from 3 percent to 5 percent. The proceeds were loaned to CHS Development Company and used to finance



the renovation and equipping of the old Charleston High School to accommodate approximately 40,000 square feet of classroom and office space, the construction and equipping of an adjacent building consisting of approximately 40,000 square feet of

additional classroom and office space, the construction of an adjacent parking garage, and the construction of approximately 10,000 square feet of mixed use retail/services space. The renovated high school building, the new adjacent building, and the parking garage are leased to the University. Pursuant to the loan agreement, CHS is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. Payment of principal and interest on the bonds is insured under a financial guaranty insurance policy.

On December 21, 2012, the South Carolina Jobs-Economic Development Authority issued Economic Development Refunding Revenue Bonds (CHS Development Company Project) Series 2012 (CHS Series 2012 Bonds) in the amount of \$19,290,000. After deducting the related closing costs of \$312,747.35, the net proceeds of the CHS Series 2012 Bonds of \$18,977,252.65 along with \$6,080,447.35 of cash held by the trustee of the CHS Series 2003 Bonds was deposited in escrow for the purpose of redeeming all of the outstanding principal and accrued interest of the CHS Series 2003 Bonds. Subsequently, on January 1, 2013, the CHS Series 2003 Bonds were fully redeemed. This refunding resulted in an accounting loss of \$610,399 which has been deferred and will be amortized over the pre-refunding remaining life of the refinanced obligation using the effective interest method. As a result of this refunding, CHS reduced its total debt service payments over the next twelve years by approximately \$3,468,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,081,000.

Effective August 1, 2014, the CHS Series 2012 Bonds were converted to tax-exempt status. The sole impact of this tax-exempt conversion was to lower the annual interest rate (effective August 1, 2014 forward) on all then-outstanding bonds to 2.25%.

The scheduled maturities of the CHS Series 2012 bonds (including the impact of the lowered interest rate) are as follows:

Fiscal Year Ending June 30,	SC JEDA Refunding Revenue Bonds - CHS Series 2012		
	Principal	Interest	Total
2019	\$ 1,580,000	\$ 270,900	\$ 1,850,900
2020	1,620,000	235,350	1,855,350
2021	1,670,000	198,900	1,868,900
2022	1,720,000	161,325	1,881,325
2023	1,765,000	122,625	1,887,625
2024-2025	3,685,000	124,988	3,809,988
Total	<u>\$ 12,040,000</u>	<u>\$ 1,114,088</u>	<u>\$ 13,154,088</u>

During the year ended June 30, 2018, CHS paid \$1,535,000 in principal and \$288,169 in interest related to these bonds.

### **Notes Payable - Major Discretely Presented Component Unit**

In April 2013, the Authority entered into a \$13.8 million equipment lease/purchase agreement with Wells Fargo Bank, NA for the purpose of obtaining energy conservation equipment for the Authority's central energy plant. This 10-year note bears an annual interest rate of 3.50%.

Fiscal Year Ending June 30,	Wells Fargo note		
	Principal	Interest	Total
2019	\$ 1,407,650	\$ 230,380	\$ 1,638,030
2020	1,457,568	180,462	1,638,030
2021	1,509,257	128,773	1,638,030
2022	1,562,778	75,252	1,638,030
2023	1,169,071	20,177	1,189,248
2024 - 2025	—	—	—
Total	<u>\$ 7,106,324</u>	<u>\$ 635,044</u>	<u>\$ 7,741,368</u>

On January 26, 2018, The Authority entered into a \$1 million equipment agreement with Everbank Commercial Finance, Inc. to acquire information technology equipment. The terms are through October 2019 with an interest rate of 5.29%.

Fiscal Year Ending June 30,	Everbank Commercial Finance note		
	Principal	Interest	Total
2019	\$ 426,028	\$ 28,444	\$ 454,472
2020	432,765	21,707	454,472
Total	<u>\$ 858,793</u>	<u>\$ 50,151</u>	<u>\$ 908,944</u>

## 14. LEASE OBLIGATIONS

The University's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2018, are as follows:

On the Statement of Net Position, the University's capital leases with blended component units are reported as interfund payables and the capital leases with the discretely presented component unit are reported as due to component unit.

Fiscal Year Ending <u>June 30,</u>	Capital Leases with			Operating Leases with			Total Operating Leases
	Blended	Discretely	External Entities	Blended	Discretely	External Entities	
	Component	Presented		Component	Presented		
	Units	Component Unit		Unit	Component Units		
2019	\$ 1,877,316	\$ 4,058,863	\$ 39,923	\$ 1,282,313	\$ 1,627,538	\$ 2,474,959	\$ 5,384,810
2020	1,877,316	4,058,863	28,718	114,949	477,040	2,130,067	2,722,056
2021	1,877,316	4,058,863	11,990	114,949	450,328	1,884,327	2,449,604
2022	1,877,316	4,058,863	6,386	114,949	450,328	653,148	1,218,425
2023	1,877,316	4,058,863	4,257	86,212	81,210	478,876	646,298
2024 - 2028	3,128,863	20,294,316	—	—	—	—	—
2029 - 2033	—	20,294,316	—	—	—	—	—
2034 - 2038	—	20,294,316	—	—	—	—	—
2039 - 2043	—	3,044,149	—	—	—	—	—
Total minimum lease payments	12,515,443	84,221,412	91,274	<u>\$ 1,713,372</u>	<u>\$ 3,086,444</u>	<u>\$ 7,621,377</u>	<u>\$ 12,421,193</u>
Less interest	(1,672,782)	(42,643,165)	(9,158)				
Present value of minimum lease payments	<u>\$ 10,842,661</u>	<u>\$ 41,578,247</u>	<u>\$ 82,116</u>				

### Operating Leases

The University's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2018 for the University was \$6,051,927. Included in this amount and pursuant to an operating lease agreement with the Authority that covers space each entity uses in real property owned by the other entity, the University paid the Authority \$1,083,672.

As discussed in Note 17 and Note 18, for the year ended June 30, 2018, the University had certain other operating leases with related parties.

University Medical Associates leases facilities and equipment under operating leases expiring at various dates. Rent expense under these various agreements was \$4,840,078 in fiscal year 2018.

The future minimum lease payments under UMA non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Amount
2019	\$ 4,133,779
2020	3,517,003
2021	2,871,692
2022	1,807,238
2023	939,981
2024 - 2028	1,170,465
Total	\$ 14,440,158

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2018, UMA received rent of \$6,121,743, composed of \$2,070,488 from the University, \$3,709,340 from the Authority, and \$341,915 from external parties.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Operating Leases with			Total Operating Leases
	University	Discretely-Presented Component Unit	External Entities	
2019	\$ 2,182,186	\$ 3,694,634	\$ 179,522	\$ 6,056,342
2020	1,688,875	3,655,091	167,510	5,511,476
2021	1,688,875	3,655,091	140,940	5,484,906
2022	1,660,138	3,655,091	—	5,315,229
2023	1,573,926	3,362,435	—	4,936,361
2024 - 2028	655,803	3,559,748	—	4,215,551
Totals	<u>\$ 9,449,803</u>	<u>\$ 21,582,090</u>	<u>\$ 487,972</u>	<u>\$ 31,519,865</u>

### Capital Leases

Capital leases are generally payable in monthly installments from current resources. Certain University capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

A portion of the Strom Thurmond Biomedical Research Center has been subleased to the United States Department of Veterans Affairs for a period of 20 years at an annual rent of \$1,264,670.

Monthly payments are made to a financial institution as trustee under a capital lease with CHS Development Company for the CHS building, an adjacent office building, and a parking garage.

In fiscal year 2009, the University entered into capital lease agreements with MUSCF for a parking garage and two office buildings. The amount recorded as buildings related to these properties was \$47.2 million. During fiscal year 2018, the University made principal payments of \$774,130 and interest payments of \$3,284,733 related to these capital lease agreements with MUSCF.

The column in the University capital and operating lease schedule titled Capital Leases with Blended Component Unit reflects the repayment schedule for the capital lease with CHS, and the column titled Capital Leases with Discretely Presented Component Unit reflects the repayment schedule for the capital leases with MUSCF.

The following is a summary of the carrying value of all assets held by the University associated with capital leases at June 30, 2018:

	Capital Leases with		
	Blended Component Unit	Discretely Presented Component Unit	External Entities
Equipment	\$ —	\$ —	\$ 155,034
Buildings	88,368,055	47,200,000	—
Total cost	88,368,055	47,200,000	155,034
Less accumulated depreciation	(51,820,424)	(14,553,334)	(74,384)
Carrying value	<u>\$ 36,547,631</u>	<u>\$ 32,646,666</u>	<u>\$ 80,650</u>

On January 9, 1995, UMA prepaid MUSCF \$37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. The lease term originally expired on June 30, 2027, but was extended to July 1, 2037 in connection with the fiscal year 2009 refunding of certain acquisition indebtedness. The lease is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. In October 2003, MUSCF sold a portion of the property subject to this lease agreement and refunded \$1,000,000 of the prepaid rent attributable to the agreement. These amounts are being amortized on a straight-line basis over the useful lives of 10 years for the equipment and 39.5 years for the prepaid land rent and building. Rent expense of \$338,226 and depreciation expense of \$474,224 was recorded for the year ending June 30, 2018.

The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2018.

Description	Capitalized Cost	Accumulated Depreciation	Carrying Value
Prepaid rent - MUSCF	\$ 19,052,400	\$ (12,476,104)	\$ 6,576,296
Building under capital lease	13,989,600	(11,144,261)	2,845,339
Equipment under capital lease	2,958,000	(2,958,000)	—
Totals	<u>\$ 36,000,000</u>	<u>\$ (26,578,365)</u>	<u>\$ 9,421,635</u>

## 15. STATE APPROPRIATIONS

The Medical University of South Carolina is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Sections 23 and 24 of Part IA of the 2017-2018 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2018.

### Non-capital appropriations

Current year appropriations:

Original appropriation per Annual Appropriations Act:

Designated for the University	\$ 72,630,928
Designated for telemedicine program	4,000,000
Designated for Adult Burn Unit	3,000,000
Designated for Helipad	387,209

State Budget and Control Board Allocations:

For employer share of health and dental insurance	296,530
For SCRS & PORS .50% rate increase	518,807

Interagency transfers:

From Commission on Higher Education:

Academic Endowment	37,395
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Appropriation Transfers from the Department of Health and Human Services:

Disproportionate Share	18,628,620
Maxillofacial	225,086

Total non-capital appropriations recorded as current year revenue	<u>\$ 99,724,575</u>
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Capital Improvement and Research Infrastructure bonds are issued by the State to fund improvements and expansion of various State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenses have been incurred. In fiscal year 2018, the University did not receive any research infrastructure bond proceeds.

The telemedicine program, rural hospital transformation, disproportionate share, and maxillofacial appropriations were designated for the Authority. The University paid the amounts received for these items to the Authority during fiscal year 2018.

## 16. INCOME TAXES

The University, as a political subdivision of the State of South Carolina, is exempt from federal and state income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. However, in certain cases, revenue may be generated from activities that are not related to the University's tax-exempt purpose. These activities could result in unrelated business income and, if so, would be subject to tax and filing requirements according to Internal Revenue Code Section 511(a)(2)(B). The University timely filed its report of unrelated business activity (Form 990-T) with the Internal Revenue Service for the year ending June 30, 2017. No tax liability from unrelated business activities was reported in fiscal year 2017. The University does not believe it will incur a material income tax liability for fiscal year 2018 from its unrelated business activities; therefore, no tax provision has been recorded for fiscal year 2018.

UMA is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3). As such, UMA is generally not subject to federal or state income taxes. However, UMA remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. The blended component units of UMA have cumulative unused net operating losses totaling \$11,425,272 that may be offset against future taxable income of the respective companies. These net operating loss carry-forwards will expire as follows if not used: \$6,033,646 in 2019, \$1,022,511 in 2020, \$3,626 in 2021, \$1,369,632 in 2022, \$606,307 in 2023, \$1,887,013 in 2036, \$325,320 in 2037 and \$177,217 in 2038. Current year income tax expense resulted from income taxes on unrelated business income for transactions between UMA and its taxable subsidiaries and investment income from a joint venture in CPCP. No associated deferred tax assets have been recognized in these financial statements due to the uncertainty regarding future taxable income of the taxable component units.

## 17. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between and among the University and the blended component units at June 30, 2018.

	Due From	Due To
<b>The University</b>		
University Medical Associates - Due to other funds - current		\$ 38,217,512
CHS Development Company - Interfund payables - current		\$ 1,432,675
CHS Development Company - Interfund payables - noncurrent		\$ 9,409,986
<b>University Medical Associates</b>		
The University - Due from other funds - current	\$ 38,217,512	
<b>Nonmajor Enterprise Fund</b>		
<b>CHS Development Company</b>		
The University - Interfund receivables - current	\$ 1,432,675	
The University - Interfund receivables - noncurrent	\$ 9,409,986	

### **University Medical Associates**

Revenue from the activities of University Medical Associates is available to pay its operating expenses and support activities of the academic departments at the Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. Pursuant to this practice, UMA provided support to the University totaling \$71,217,835 for the year ended June 30, 2018. This support is reported as interfund transfers.

On April 20, 2003, the University and UMA entered into an agreement whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with a South Carolina Medicaid Plan amendment which provides reimbursement for the inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2016, the University reported revenue of \$73,187,461 from SC DHHS and an expense to UMA of \$73,187,461. The South Carolina Medicaid Plan is an important source of patient care funding for UMA. There can be no assurance that UMA will continue to qualify for future participation in the South Carolina Medicaid Plan or that the Plan will not ultimately be discontinued or materially modified. Any material reduction in the funding received from the Plan would have a correspondingly material adverse effect on UMA's operations.

UMA amounts due from the University as of June 30, 2018, were as follows:

Description	Amount
Agency fund amount in excess of prepaid	\$ 50,000
Rental income	4,545
Supplemental Medicaid payments	37,654,643
Salary reimbursements	567,659
Other	(59,335)
Net due from the University	\$ 38,217,512

The above amount is reflected on the Statement of Net Position as Due from other funds.

The physicians of UMA practice medicine at the Authority facilities and perform various services under several cooperative agreements which resulted in the net payment from the Authority to UMA of \$76,477,328 during the fiscal year ended June 30, 2018. This amount includes various salary reimbursement arrangements as well as the ambulatory patient care and clinical education and other agreements discussed below.

UMA and the Authority have entered into an agreement whereby UMA will be reimbursed an annual fixed amount for providing an environment for ambulatory and community based primary care clinical education and research for University residents and students. UMA will also be reimbursed for applicable shared costs of their joint revenue cycle operations. In addition, UMA shall be entitled to reimbursement for, but not limited to: expenses for facilities necessary to perform this agreement, personnel costs, insurance, necessary supplies and equipment and necessary capital improvements. The parties agree each year to an estimated budget to be paid ratably over the year to UMA as reimbursement of its costs. The following reflects the activity reported under this agreement for the fiscal year ended June 30, 2018:

Revenues:

Ambulatory Care and Authority revenue cycle support	\$ 6,022,284
Operating Expenses:	
Ambulatory Care and Authority revenue cycle support	(4,589,768)
Interest expense allocated to Agreement	(1,432,516)
Change in net position	<u>\$ —</u>

UMA has entered into a managed care contract and reimbursement agreement with the Authority. UMA performs services regarding managed care operations for the Authority and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and may be terminated, by either party, 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared as follows: UMA (40%), Carolina Management Services (CHMS), a blended unit of UMA (10%), and the Authority (50%). For the year ended June 30, 2018, of total managed care costs of \$531,999, the Authority and CHMS shared expenses of \$266,000 and \$53,200, respectively.

UMA also provides billing and collection services to the Authority related to certain limited clinical services, for which UMA receives an administrative fee. Total billings by UMA for these services were \$50,264,483 in fiscal year 2018. During fiscal year 2018, the amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$7,037,906, net of administrative fees of \$813,540.

UMA amounts due from the Authority as of June 30, 2018, were as follows:

Description	Amount
Ambulatory care and Authority revenue cycle support	\$ 508,340
Psychiatry clinical enterprise agreement	(559,287)
Patient receivables	(465,673)
Salary reimbursements	729,416
Managed care contract	22,601
Rental expenses	43,677
Other receivables	954,177
Other payables	(2,699,818)
Net amount due to the Authority	<u>\$ (1,466,567)</u>

### ***CHS Development Company***

On November 1, 2003, CHS Development Company entered into a ground lease agreement with the Medical University of South Carolina Foundation (MUSCF) as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of \$3,140,000 to MUSCF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of \$156,349 was recorded for the year ended June 30, 2018, leaving an unamortized balance of \$708,107. The lease terminates on the earlier of December 1, 2035, or the date that the related bonds are paid in full. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease began on March 1, 2005 and ends on January 1, 2025. During fiscal year 2018, CHS recognized interest income of \$505,696 associated with its capital lease with the University.

During fiscal year 2018, CHS transferred \$31,644 to the University as reimbursement for costs incurred in financing the CHS project.

## **18. DISCRETELY PRESENTED COMPONENT UNITS**

Only MUSCF and MFRD report under Financial Accounting Standards Board (FASB) standards. Accordingly, net assets and changes therein are classified as follows:

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that will be met by actions of the organization and/or passage of time.

*Unrestricted Net Assets* – Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.



MFRD recognizes grant and contract revenue based upon work performed at the reporting date under specific contract terms. License fee and royalty income is recognized based on agreement milestones. MFRD recognizes revenue from registration and seminar fees once the event is complete.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

### ***Medical University Hospital Authority***

Effective June 16, 2000, the University and the Authority entered into an affiliation agreement which outlines the availability of facilities, use of house staff, and insurance coverage. The affiliation agreement has been renewed several times since June 2000. The most recent renewal is effective from July 1, 2013 through June 30, 2018.

The University billed the Authority \$120,338,884 during the fiscal year ended June 30, 2018 for the use of interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. The University incurred expenses to the Authority of approximately \$3,100,000 during the fiscal year ended June 30, 2018 for rent, various administrative and support services.

At June 30, 2018, the net amount due the University from the Authority was \$8,365,135.

The Authority and the University entered into an agreement in fiscal year 2007 whereby the Authority will provide patient care to Medicaid and medically indigent patients, and appropriate clinical and educational settings for patient care, education and research to all residents and students of the University. In exchange for these services, the University will reimburse the Authority an amount equal to the appropriation transfer from the South Carolina Department of Health and Human Services. For the fiscal year ended June 30, 2018, the University reported State appropriations revenue of \$18,628,620 and an operating expense to the Authority of \$18,628,620. Since this payment relates directly or indirectly to patient care, the Authority has included this amount in net patient service revenue.

During fiscal year 2018, the University received \$7,000,000 in State appropriations designated for the Authority to be used for an adult burn unit, telemedicine programs and rural hospital transformation. This amount, which was paid by the University to the Authority during fiscal year 2018, is included in the University's State appropriation revenues and in the University's non-operating expenditures.

### ***Medical University of South Carolina Foundation***

The University provides office space and pays certain administrative costs for MUSCF which are reimbursed throughout the year. MUSCF provided support to the University for general and departmental expenses totaling \$17,957,576 in fiscal year 2018. The University recorded this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2018, \$258,999 in donated capitalized equipment and \$236,360 in equipment and services expensed by the University. The amount due the University for gifts from MUSCF at June 30, 2018 was \$1,457,536.

During fiscal year 2018, MUSCF leased various properties via operating leases to the University, the Authority, and UMA. In addition, as described in Note 13, during fiscal year 2009, MUSCF entered into capital lease agreements with the University.

MUSCF has an agreement with the University which allows the University to make periodic deposits to MUSCF of the corpus of endowments received by the University primarily from the South Carolina Commission on Higher Education under the SmartState Centers of Economic Excellence program. MUSCF will provide earnings to the University at the investment earnings rate, net of investment fees, of the pooled investments of MUSCF. After the first twelve months held by MUSCF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2018 is \$110,018,190 which includes accrued interest and realized and unrealized net gains and losses of \$19,430,965.

MUSCF acquired the Rutledge Tower building in 1993 and leased the properties to UMA. During April 1996, MUSCF's board of directors passed a resolution to transfer the title on Rutledge Tower and associated facilities to the University at the end of the lease term which is the later of (1) June 30, 2024, or (2) the date on which all principal of and premium, if any, and interest on the direct note obligations have been paid. This was considered a contribution by MUSCF, and was recorded by MUSCF as a contribution payable and contribution expense in 1996 at the value of the land, \$17,852,400. The buildings and equipment do not have a residual value at the end of the lease. The pledge has not been recorded by the University because the net realizable value is not readily determinable and because of the uncertainties created by the fact that the transfer will not be made until the end of the lease term.

### ***MUSC Foundation for Research Development***

MFRD has entered into an annual contract with the University to provide management services for research and intellectual property activities. The agreement incorporates the contractual obligations for the intellectual property activities and addresses insurance, indemnity and other basic contractual obligations. Additionally, the agreement requires an annual accounting of the state property, personnel and resources used directly by MFRD, as well as reimbursement or demonstration that adequate in-kind reimbursement through provision of funds or services to the University has been made. The agreement provides for automatic annual renewal unless either party notifies the other six months prior to the renewal date. MFRD recognized support of \$1,425,469 related to this agreement during the fiscal year ended June 30, 2018.

The University has assigned the rights to certain intellectual property owned by the University to MFRD. MFRD incurs the cost of patent prosecution and commercialization of the intellectual property. Legal fees and other costs associated with patent prosecution are expensed as incurred as the future economic benefits are uncertain and not measurable.

As of June 30, 2018, the net amount due MFRD from the University was \$138,045.

## MUSC Strategic Ventures

The University does not have any agreements with MSV nor has it had any transactions with MSV during the fiscal year ended June 30, 2018. UMA provides general accounting and tax services to MSV. UMA also provides payroll and other expense reimbursement services to MSV personnel. MSV reimburses UMA for the cost of the payroll, including fringe benefits and other expenses.

## 19. RISK MANAGEMENT

The University and its component units are exposed to various risks of loss and maintain State or commercial insurance coverage for each of those risks except health, accident and dental insurance claims for UMA, which are self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage either through a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following activities:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft;
4. Torts;
5. Business interruptions;
6. Natural disasters;
7. Medical malpractice claims against covered clinics, hospitals, employees, and third- and fourth-year medical students.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through commercial insurers for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation as well as for Directors and Officers insurance. The University also obtains coverage through a commercial insurer for a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina. The University also has policies which cover cyber risk.

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of the Medical University of South Carolina (MUSC), is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve Fund which is sustained through premiums paid by State agencies and governmental entities. For coverage of all other individuals and activities, UMA maintains coverage from commercial insurance companies. Management believes these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks: 1) unemployment and worker's compensation benefits, 2) long-term disability benefits for employees, 3) theft of assets, 4) damage to property, and 5) tort liability claims including error and omissions. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Settlement amounts have not exceeded insurance coverage for the current or preceding three years. Insurance coverage has been consistently maintained over this period with no significant reductions in coverage.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprises, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association, with the majority of practicing physicians being covered by the State Insurance Reserve Fund discussed above. UMA obtains employee fidelity bond insurance coverage through a commercial insurer for all employees for losses arising from theft or misappropriation.

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims for this self-insured plan based on estimates of the ultimate cost of reported claims using the gross method. This estimated claims liability is included in "Payables and accrued liabilities" on the Statement of Net Position. Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2018 and 2017 were as follows:



	2018	2017
Liability balance - beginning	\$ 1,351,816	\$ 1,098,044
Current year claims and changes in estimates	13,354,006	11,313,617
Claims payments	(13,289,351)	(11,059,845)
Liability balance - ending	<u>\$ 1,416,471</u>	<u>\$ 1,351,816</u>

## 20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2018 are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 99,816,271	\$ 114,936,970	\$ 2,957	\$ 1,412,558	\$ —	\$216,168,756
Research	129,494,258	77,856,303	211,437	4,512,060	—	212,074,058
Public service	75,229,469	12,306,363	4,255	40,530	—	87,580,617
Academic support	40,915,245	17,168,170	9,270	1,470,227	—	59,562,912
Student services	7,351,353	2,314,656	—	104,809	—	9,770,818
Institutional support	63,319,733	18,097,024	172,403	—	—	81,589,160
Operation and maintenance of plant	20,755,577	17,180,786	13,592,535	2,305	38,762,208	90,293,411
Scholarships and fellowships	—	—	—	2,736,029	—	2,736,029
Auxiliary enterprises	3,854,544	7,277,676	472,618	333	—	11,605,171
	<u>\$ 440,736,450</u>	<u>\$ 267,137,948</u>	<u>\$ 14,465,475</u>	<u>\$ 10,278,851</u>	<u>\$ 38,762,208</u>	<u>\$771,380,932</u>

## 21. DONOR RESTRICTED ENDOWMENTS

Endowments are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. The University's endowments require that the income be used for specific purposes. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. Cumulative net realized and unrealized gains and losses, net of earned interest income, totaled \$19,430,965 at June 30, 2018.

In fiscal year 2018, the University received no additional funding from the South Carolina Commission on Higher Education for the SmartState Centers of Economic Excellence (COEE). This program funds endowed chair professorships, which are to be used "to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purpose of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina." In addition to the COEE funding received in previous fiscal years, the University received, in fiscal year 2018, \$337,439 for other endowed purposes.

## 22. SUBSEQUENT EVENTS

The MUSC Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion will consist of a seven-story, 225-bed patient tower atop a four-story Diagnostic and Treatment podium. The \$390 million, 625,000 square foot design will include labor and delivery rooms, pediatric medical, neonatal intensive care, and ambulatory care clinics. The State appropriated \$35.75 million in fiscal years 2016 and 2017 towards the construction of the facility. The majority of the financing is through the Department of Housing and Urban Development's FHA Section 241 Mortgage Insurance Program and is scheduled to open in 2019.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of University's & Authority's Proportionate Share of the Net Pension Liability to PEBA (Unaudited)**

This schedule presents historical trend information about the University's & Authority's proportionate share of the net pension liability for its employees who participate in the PEBA plans. GASB Statement No. 68 was implemented in fiscal year 2015. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a ten year presentation.

	The University		The Authority	
As of June 30, 2014 Measurement Date				
<b>South Carolina Retirement System (SCRS) Pension Plan</b>				
Proportion (percentage) of the collective net pension liability		1.956775%		3.289184%
Proportionate share (amount) of the collective net pension liability	\$	336,891,856	\$	566,288,522
Covered-employee payroll	\$	112,132,600	\$	259,311,350
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		300.44%		218.38%
Pension plan's fiduciary net position as a percentage of the total pension liability		59.90%		59.90%
<b>Police Officers Retirement System (PORS) Pension Plan</b>				
Proportion (percentage) of the collective net pension liability		0.256950%		0.219620%
Proportionate share (amount) of the collective net pension liability	\$	4,919,140	\$	4,204,542
Covered-employee payroll	\$	3,068,668	\$	2,589,067
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		160.30%		162.40%
Pension plan's fiduciary net position as a percentage of the total pension liability		67.50%		67.50%
As of June 30, 2015 Measurement Date				
<b>South Carolina Retirement System (SCRS) Pension Plan</b>				
Proportion (percentage) of the collective net pension liability		1.972448%		3.377349%
Proportionate share (amount) of the collective net pension liability	\$	374,084,273	\$	640,530,521
Covered-employee payroll	\$	114,377,211	\$	268,970,820
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		327.06%		238.14%
Pension plan's fiduciary net position as a percentage of the total pension liability		57.00%		57.00%
<b>Police Officers Retirement System (PORS) Pension Plan</b>				
Proportion (percentage) of the collective net pension liability		0.263390%		0.219170%
Proportionate share (amount) of the collective net pension liability	\$	5,740,685	\$	4,776,715
Covered-employee payroll	\$	3,172,719	\$	2,692,311
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		180.94%		177.42%
Pension plan's fiduciary net position as a percentage of the total pension liability		64.60%		64.60%

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

**Schedule of University's & Authority's Proportionate Share of the Net Pension Liability to PEBA (continued)  
(Unaudited)**

	The University		The Authority	
As of June 30, 2016 Measurement Date				
South Carolina Retirement System (SCRS) Pension Plan				
Proportion (percentage) of the collective net pension liability		2.016274%		3.471014%
Proportionate share (amount) of the collective net pension liability	\$	430,673,150	\$	741,403,467
Covered-employee payroll	\$	121,431,238	\$	281,452,784
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		354.66%		263.42%
Pension plan's fiduciary net position as a percentage of the total pension liability		52.90%		52.90%
Police Officers Retirement System (PORS) Pension Plan				
Proportion (percentage) of the collective net pension liability		0.259410%		0.215130%
Proportionate share (amount) of the collective net pension liability	\$	6,579,971	\$	5,456,693
Covered-employee payroll	\$	3,307,181	\$	2,730,140
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		198.96%		199.87%
Pension plan's fiduciary net position as a percentage of the total pension liability		60.40%		60.40%
As of June 30, 2017 Measurement Date				
South Carolina Retirement System (SCRS) Pension Plan				
Proportion (percentage) of the collective net pension liability		2.040436%		3.465263%
Proportionate share (amount) of the collective net pension liability	\$	459,334,957	\$	780,086,431
Covered-employee payroll	\$	125,559,070	\$	287,923,152
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		365.83%		270.94%
Pension plan's fiduciary net position as a percentage of the total pension liability		53.30%		53.30%
Police Officers Retirement System (PORS) Pension Plan				
Proportion (percentage) of the collective net pension liability		0.249430%		0.216500%
Proportionate share (amount) of the collective net pension liability	\$	6,833,287	\$	5,931,204
Covered-employee payroll	\$	3,359,012	\$	2,653,533
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll		203.43%		223.52%
Pension plan's fiduciary net position as a percentage of the total pension liability		60.90%		60.90%

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

**Schedule of the University's & Authority's Contributions to PEBA  
(Unaudited)**

This schedule presents historical trend information about the University's & Authority's contributions for its employees who participate in the PEBA plan. GASB Statement No. 68 was implemented in fiscal year 2015. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a ten year presentation.

The University's schedule of employer contributions for SCRS as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2013	\$18,848,990	\$18,848,990	\$0	\$113,563,756	16.60%
2014	\$18,830,198	\$18,830,198	\$0	\$112,132,600	16.79%
2015	\$20,158,543	\$20,158,543	\$0	\$114,377,211	17.62%
2016	\$21,594,565	\$21,594,565	\$0	\$121,431,238	17.78%
2017	\$23,798,940	\$23,798,940	\$0	\$125,559,070	18.95%
2018	\$29,862,457	\$29,862,457	\$0	\$128,724,334	23.20%

The University's schedule of employer contributions for PORS as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2013	\$366,488	\$366,488	\$0	\$2,979,578	12.30%
2014	\$396,816	\$396,816	\$0	\$3,068,668	12.93%
2015	\$437,581	\$437,581	\$0	\$3,172,719	13.79%
2016	\$454,407	\$454,407	\$0	\$3,307,181	13.74%
2017	\$478,323	\$478,323	\$0	\$3,359,012	14.24%
2018	\$555,552	\$555,552	\$0	\$3,420,887	16.24%

The Authority's schedule of employer contributions for SCRS as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2013	\$27,997,059	\$27,997,059	\$0	\$264,123,194	10.60%
2014	\$31,652,157	\$31,652,157	\$0	\$259,311,350	12.21%
2015	\$34,516,724	\$34,516,724	\$0	\$268,970,820	12.83%
2016	\$37,175,029	\$37,175,029	\$0	\$281,452,784	13.21%
2017	\$40,417,627	\$40,417,627	\$0	\$287,923,152	14.04%
2018	\$45,587,108	\$45,587,108	\$0	\$289,354,840	15.75%

The Authority's schedule of employer contributions for PORS as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2013	\$349,962	\$349,962	\$0	\$2,845,220	12.30%
2014	\$339,175	\$339,175	\$0	\$2,589,067	13.10%
2015	\$364,104	\$364,104	\$0	\$2,692,311	13.52%
2016	\$376,835	\$376,835	\$0	\$2,730,140	13.80%
2017	\$415,179	\$415,179	\$0	\$2,653,533	15.65%
2018	\$405,164	\$405,164	\$0	\$2,631,752	15.40%

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

**Notes to Required Supplementary Information  
(Unaudited)**

**SCRS**

Valuation Date: Actuarially calculated contribution rates are calculated as of July 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level % of Pay
Amortization period:	30 Years Variable, but not to exceed 30 years
Asset valuation method:	20% difference recognition
Inflation:	2.75%
Investment Rate of Return:	7.50%
Salary Increases:	3.50% plus step-rate increases for members with less than 25 years of service.
Mortality:	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators.
Other Comments:	Member and employer contribution rates are determined in accordance with Section 9-1-1085 of the South Carolina Code.

**PORS**

Valuation date: Actuarially calculated contribution rates are calculated as of July 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level % of Pay
Amortization period:	27 Years Variable, but not to exceed 30 years
Asset valuation method:	20% difference recognition
Inflation:	2.75%
Investment Rate of Return:	7.50%
Salary Increases:	4.00% plus step-rate increases for members with less than 12 years of service.
Mortality:	RP-2000 Mortality Table with Blue Collar Adjustment, projected at Scale AA from Year 2000. Male and female rates are multiplied at 115%.
Other Comments:	Member and employer contribution rates are determined in accordance with Section 9-11-225 of the South Carolina Code.

**Schedule of University's & Authority's Proportionate Share of the Net OPEB Liability to PEBA  
(Unaudited)**

This schedule presents historical trend information about the University's & Authority's proportionate share of the net OPEB liability for its employees who participate in the PEBA plans. GASB Statement No. 75 was implemented in fiscal year 2018. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a ten year presentation.

	The University		The Authority	
As of June 30, 2017 Measurement Date				
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)				
Proportion (percentage) of the collective net OPEB liability		3.208923%		4.736447%
Proportionate share (amount) of the collective net OPEB liability	\$	434,643,365	\$	641,543,988
Covered-employee payroll	\$	270,603,426	\$	399,417,088
Proportionate share (amount) of the collective net OPEB liability as a percentage of its covered-employee payroll		160.62%		160.62%
OPEB plan's fiduciary net position as a percentage of the total OPEB liability		7.60%		7.60%

**South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF)**

Proportion (percentage) of the collective net OPEB liability		2.248796%		3.032425%
Proportionate share (amount) of the collective net OPEB liability	\$	40,770	\$	54,977
Covered-employee payroll		N/A		N/A
Proportionate share (amount) of the collective net OPEB liability as a percentage of its covered-employee payroll		N/A		N/A
OPEB plan's fiduciary net position as a percentage of the total OPEB liability		95.29%		95.29%

**Schedule of the University's & Authority's Contributions to PEBA  
(Unaudited)**

This schedule presents historical trend information about the University's & Authority's contributions for its employees who participate in the PEBA plan. GASB Statement No. 75 was implemented in fiscal year 2018. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a ten year presentation.

The University's schedule of employer contributions for SCRHITF as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2017	\$14,423,163	\$14,423,163	\$0	\$270,603,426	5.33%
2018	\$14,894,545	\$14,894,545	\$0	\$277,091,923	5.50%

The University's schedule of employer contributions for SCLTDITF as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2017	\$162,781	\$162,781	\$0	N/A	N/A
2018	\$164,072	\$164,072	\$0	N/A	N/A

The Authority's schedule of employer contributions for SCRHITF as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2017	\$21,288,931	\$21,288,931	\$0	\$399,417,088	5.33%
2018	\$22,641,916	\$22,641,916	\$0	\$411,671,205	5.50%

The Authority's schedule of employer contributions for SCLTDITF as of June 30 is:

Year Ended June 30	Statutorily or Contractually Required Employer Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2017	\$219,504	\$219,504	\$0	N/A	N/A
2018	\$225,475	\$225,475	\$0	N/A	N/A

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

**Notes to Required Supplementary Information  
(Unaudited)**

**SCRHITF**

**Methods and assumptions:**

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Investment Rate of Return	4.0%, net of OPEB plan investment expense, including inflation
Single Discount Rate	3.56%
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rates	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years.
Participation Assumptions	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Aging Factors	Based on plan specific experience
Expenses	The investment rate of return assumption is net of the investment expenses; Administrative expenses related to the health care benefits are included in the age-adjusted claims costs

**Roll-forward Disclosure:** The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.



**SCLTDITF**

**Methods and assumptions:**

Actuarial cost method:	Entry Age Normal
Inflation	2.25%
Investment Rate of Return	4.00%, net of plan investment expense, including inflation
Single Discount Rate	3.87% as of June 30, 2017
Salary, Termination Rates and Retirement Rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015.
Disability Incidence	The disability incidence rates used in the LTD valuation are based on the rates developed for the pension plans.
Disability Recovery	For participants in payment, 1987 CGDT Group Disability For active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years.
Offsets	40% are assumed to be eligible for Social Security benefits. Assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses	Investment expenses are net of the investment returns; Third party administrative expenses are included in the benefit projections.

**Other Information:**

Notes	There were no benefit changes during the year. The single discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017,
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**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Changes in UMA's Net OPEB Liability and Related Ratios (In Thousands)  
(Unaudited)**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with current GASB standards, they should not be reported.

	<b>Fiscal Year Ending June 30</b>
	<u>2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 22
Interest on total OPEB liability	288
Effect of economic/demographic (gains) or losses	273
Effect of assumption changes or inputs	617
Benefit payments	<u>(482)</u>
Net change in total OPEB liability	718
Total OPEB liability, beginning	4,651
Total OPEB liability, ending (a)	<u>\$ 5,369</u>
 <b>Fiduciary Net Position</b>	
Employer contributions	\$ 297
Net investment income	420
Benefit payments	(348)
Administrative expenses	<u>(28)</u>
Net change in plan fiduciary position	341
Fiduciary net position, beginning	5,034
Fiduciary net position, ending (b)	\$ 5,375
Net OPEB liability (asset), ending = (a) - (b)	<u>\$ (6)</u>
 Fiduciary net position as a % of total OPEB liability	100.11 %
Covered payroll	\$ 2,498
Net OPEB liability (asset) as a % of covered payroll	(0.24)%

See accompanying independent auditors' report.

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**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUND  
JUNE 30, 2018**

	CHS Development Company
<hr/>	
<b>ASSETS</b>	
<b>Current Assets</b>	
Prepaid Items	\$ 156,349
Restricted assets	
Cash and cash equivalents	686,339
Investments	791,048
Interfund receivables	1,432,675
Total current assets	<hr/> 3,066,411 <hr/>
<b>Noncurrent Assets</b>	
Restricted assets	
Interfund receivables	9,409,986
Prepaid Items	708,107
Total noncurrent assets	<hr/> 10,118,093 <hr/>
Total assets	<hr/> 13,184,504 <hr/>
<b>DEFERRED OUTFLOWS</b>	
Deferred loss on debt refinancing	199,542
Total assets & deferred outflows	<hr/> 13,384,046 <hr/>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payables and accrued liabilities	135,450
Long-term liabilities	1,580,000
Total current liabilities	<hr/> 1,715,450 <hr/>
<b>Noncurrent Liabilities</b>	
Long-term liabilities	10,460,000
Total noncurrent liabilities	<hr/> 10,460,000 <hr/>
Total liabilities	<hr/> 12,175,450 <hr/>
<b>NET POSITION</b>	
Restricted	
Expendable for:	
Debt service	1,208,596
Total net position	<hr/> \$ 1,208,596 <hr/>

See accompanying independent auditors' report.

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	CHS Development Company
<b>Operating Revenues</b>	
Interest income (used as security for revenue bonds and notes)	\$ 530,142
Total operating revenue	530,142
<b>Operating Expenses</b>	
Services and supplies	7,067
Interest expense	346,925
Amortization	156,349
Total operating expenses	510,341
Operating income	19,801
Income before other revenues, expenses, gains, losses and transfers	19,801
Interfund transfers	(31,644)
<b>Change in net position</b>	(11,843)
<b>Net position at beginning of year</b>	1,220,439
<b>Net position at end of year</b>	<u>\$ 1,208,596</u>

See accompanying independent auditors' report.

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	CHS Development Company
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to suppliers	\$ (7,067)
Net cash used by operating activities	(7,067)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund transfers paid	(31,644)
Net cash used by noncapital financing activities	(31,644)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt and leases	(1,535,000)
Interest paid on capital debt and leases	(305,437)
Net cash used by capital and related financing activities	(1,840,437)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Collection of interfund receivables	1,371,620
Interest received on interfund receivables	505,696
Purchases of investments	(2,450,688)
Proceeds from sales and maturities of investments	2,426,243
Interest on investments	36,195
Net cash provided by investing activities	1,889,066
Net increase in cash and cash equivalents	9,918
Cash and cash equivalents at beginning of year	676,421
Cash and cash equivalents at end of year	\$ 686,339
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 19,801
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Amortization	156,349
Interest income	(530,142)
Interest expense	346,925
Net cash used by operating activities	\$ (7,067)

*See accompanying independent auditors' report.*

# **Statistical Section**

**(unaudited)**





## **STATISTICAL SECTION (UNAUDITED)**

This section of the comprehensive annual financial report for the Medical University of South Carolina (MUSC) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its overall financial health.

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## **ACCREDITATION STATEMENT**

The Medical University of South Carolina is fully accredited by the Southern Association of Colleges and Schools (SACS), which can be contacted at 1866 Southern Lane, Decatur, GA, 30033-4097, telephone (404) 679-4500. Accreditation allows MUSC to award bachelor degrees, master degrees, doctoral and professional degrees. Additionally, each college or program is accredited by numerous national, professional, and specialized accrediting bodies. Documents describing accreditation, approval, or licensing of programs are available for review in each college dean's office by appointment.

**SCHEDULE OF REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Revenues	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>The University</b>										
Student tuition and fees (net of scholarship allowances)	\$ 95,937	\$ 95,581	\$ 93,907	\$ 89,555	\$ 86,674	\$ 82,352	\$ 76,850	\$ 69,197	\$ 62,545	\$ 55,377
Federal grants and contracts	156,169	146,053	138,868	132,669	133,549	142,467	146,790	154,409	138,760	119,783
State grants and contracts	8,784	9,673	9,343	8,896	6,788	14,596	5,920	4,761	2,936	5,278
Local grants and contracts	164	77	59	78	15	16	14	11	89	206
Nongovernmental grants and contracts	40,998	38,677	37,225	32,843	32,130	30,047	25,499	21,432	22,902	25,852
Sales and services provided to Medical University Hospital Authority	120,339	116,851	111,475	108,837	102,448	102,101	87,912	83,646	68,423	83,025
Sales and services of educational and other activities	108,206	80,102	66,663	69,632	57,779	61,325	62,046	66,506	56,953	53,429
Auxiliary enterprises	15,902	15,013	14,667	13,990	12,826	11,958	11,749	11,038	6,686	9,782
Other operating revenues	12,880	12,507	13,257	10,170	10,222	9,938	11,964	9,672	10,634	10,534
Operating revenues	559,379	514,534	485,464	466,670	442,431	454,800	428,744	420,672	369,928	363,266
State appropriations	99,725	104,603	91,859	108,173	92,865	82,325	79,017	81,659	108,647	116,418
Gifts and grants	21,505	19,777	18,546	18,518	18,109	13,886	13,183	27,449	26,498	13,951
Investment income (losses)	7,862	9,403	(3,403)	3,110	11,366	8,449	(536)	9,843	6,256	(3,112)
Other nonoperating revenues	—	—	—	—	—	—	5,989	1,806	7,445	—
Nonoperating revenues	129,092	133,784	107,002	129,801	122,340	104,660	97,653	120,757	148,846	127,257
<b>Total Revenues -- The University</b>	<b>\$ 688,471</b>	<b>\$ 648,318</b>	<b>\$ 592,466</b>	<b>\$ 596,471</b>	<b>\$ 564,771</b>	<b>\$ 559,460</b>	<b>\$ 526,397</b>	<b>\$ 541,429</b>	<b>\$ 518,774</b>	<b>\$ 490,523</b>
<b>University Medical Associates</b>										
Net clinical service revenue	\$ 418,094	\$ 382,885	\$ 362,672	\$ 343,764	\$ 323,760	\$ 312,252	\$ 302,262	\$ 308,747	\$ 293,848	\$ 276,251
Ambulatory care and primary care agreements	6,022	6,422	6,562	6,712	5,988	6,077	4,955	4,982	5,409	7,277
Other operating revenues	8,969	10,173	8,363	8,063	9,466	7,659	13,256	8,406	12,491	13,442
Operating revenues	433,085	399,480	377,597	358,539	339,214	325,988	320,473	322,135	311,748	296,970
Investment income (losses)	4,005	6,630	768	1,631	5,282	6,644	(131)	9,255	5,229	(4,699)
Other nonoperating revenues	4,023	4,600	5,055	3,192	3,141	3,458	3,776	3,921	3,910	3,839
Nonoperating revenues	8,028	11,230	5,823	4,823	8,423	10,102	3,645	13,176	9,139	(860)
<b>Total Revenues -- University Medical Associates</b>	<b>\$ 441,113</b>	<b>\$ 410,710</b>	<b>\$ 383,420</b>	<b>\$ 363,362</b>	<b>\$ 347,637</b>	<b>\$ 336,090</b>	<b>\$ 324,118</b>	<b>\$ 335,311</b>	<b>\$ 320,887</b>	<b>\$ 296,110</b>
<b>Nonmajor Enterprise Funds</b>										
Interest income	\$ 530	\$ 603	\$ 744	\$ 911	\$ 1,057	\$ 1,299	\$ 1,578	\$ 1,757	\$ 1,896	\$ 2,052
Other operating revenues	—	12	34	33	33	32	33	33	33	39
Operating revenues	530	614	778	944	1,090	1,331	1,611	1,790	1,929	2,091
Other nonoperating revenues	—	—	—	—	—	—	—	—	—	—
Nonoperating revenues	—	—	—	—	—	—	—	—	—	—
<b>Total Revenues -- Nonmajor Enterprise Funds</b>	<b>\$ 530</b>	<b>\$ 614</b>	<b>\$ 778</b>	<b>\$ 944</b>	<b>\$ 1,090</b>	<b>\$ 1,331</b>	<b>\$ 1,611</b>	<b>\$ 1,790</b>	<b>\$ 1,929</b>	<b>\$ 2,091</b>
<b>Interfund Capital Leases Elimination</b>	<b>\$ (506)</b>	<b>\$ (569)</b>	<b>\$ (714)</b>	<b>\$ (877)</b>	<b>\$ (1,028)</b>	<b>\$ (1,220)</b>	<b>\$ (1,421)</b>	<b>\$ (1,586)</b>	<b>\$ (1,739)</b>	<b>\$ (1,883)</b>
<b>Total Revenues -- Primary Government</b>	<b>\$ 1,129,608</b>	<b>\$ 1,059,073</b>	<b>\$ 975,950</b>	<b>\$ 959,900</b>	<b>\$ 912,470</b>	<b>\$ 895,661</b>	<b>\$ 850,705</b>	<b>\$ 876,944</b>	<b>\$ 839,851</b>	<b>\$ 786,841</b>

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

For the Year Ended June 30,

(percent of total revenues)

Revenues	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>The University</b>											
Student tuition and fees (net of scholarship allowances)	8.5 %	9.0 %	9.6 %	9.3 %	9.5 %	9.2 %	9.0 %	7.9 %	7.4 %	7.0 %	6.5 %
Federal grants and contracts	13.8 %	13.8 %	14.2 %	13.8 %	14.7 %	15.9 %	17.3 %	17.6 %	16.5 %	15.2 %	15.6 %
State grants and contracts	0.8 %	0.8 %	0.9 %	1.0 %	0.8 %	1.6 %	0.7 %	0.5 %	0.4 %	0.7 %	0.8 %
Local grants and contracts	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Nongovernmental grants and contracts	3.6 %	3.7 %	3.8 %	3.4 %	3.5 %	3.4 %	3.1 %	2.4 %	2.7 %	3.3 %	4.0 %
Sales and services provided to Medical University Hospital Authority	10.7 %	11.0 %	11.4 %	11.3 %	11.2 %	11.4 %	10.3 %	9.5 %	8.2 %	10.6 %	11.0 %
Sales and services of educational and other activities	9.6 %	7.6 %	6.8 %	7.3 %	6.3 %	6.8 %	7.3 %	7.6 %	6.8 %	6.8 %	5.0 %
Auxiliary enterprises	1.4 %	1.4 %	1.5 %	1.5 %	1.4 %	1.3 %	1.4 %	1.3 %	0.8 %	1.2 %	1.0 %
Other operating revenues	1.1 %	1.2 %	1.4 %	1.1 %	1.1 %	1.1 %	1.4 %	1.1 %	1.3 %	1.3 %	1.3 %
Operating revenues	49.5 %	48.5 %	49.6 %	48.7 %	48.5 %	50.7 %	50.5 %	47.9 %	44.1 %	46.1 %	45.3 %
State appropriations	8.8 %	9.9 %	9.4 %	11.3 %	10.2 %	9.2 %	9.3 %	9.3 %	12.9 %	14.8 %	18.3 %
Gifts and grants	1.9 %	1.9 %	1.9 %	1.9 %	2.0 %	1.6 %	1.5 %	3.2 %	3.2 %	1.8 %	1.5 %
Investment income (losses)	0.7 %	0.9 %	(0.3)%	0.3 %	1.2 %	0.9 %	(0.1)%	1.1 %	0.7 %	(0.4)%	0.3 %
Other nonoperating revenues	— %	— %	— %	— %	— %	— %	0.7 %	0.2 %	0.9 %	— %	— %
Non-operating revenues	11.4 %	12.7 %	11.0 %	13.5 %	13.4 %	11.7 %	11.4 %	13.8 %	17.7 %	16.2 %	20.1 %
<b>Total Revenues -- The University</b>	<b>60.9 %</b>	<b>61.2 %</b>	<b>60.6 %</b>	<b>62.2 %</b>	<b>61.9 %</b>	<b>62.4 %</b>	<b>61.9 %</b>	<b>61.7 %</b>	<b>61.8 %</b>	<b>62.3 %</b>	<b>65.5 %</b>
<b>University Medical Associates</b>											
Net clinical service revenue	37.0 %	36.2 %	37.2 %	35.8 %	35.5 %	34.9 %	35.5 %	35.2 %	35.0 %	35.1 %	31.2 %
Ambulatory care and primary care agreements	0.5 %	0.6 %	0.7 %	0.7 %	0.7 %	0.7 %	0.6 %	0.6 %	0.6 %	0.9 %	1.1 %
Other operating revenues	0.8 %	1.0 %	0.9 %	0.8 %	1.0 %	0.9 %	1.6 %	1.0 %	1.5 %	1.7 %	1.5 %
Operating revenues	38.3 %	37.8 %	38.8 %	37.3 %	37.2 %	36.5 %	37.7 %	36.8 %	37.1 %	37.7 %	33.8 %
Investment income (losses)	0.4 %	0.6 %	0.1 %	0.2 %	0.6 %	0.7 %	— %	1.1 %	0.6 %	(0.6)%	0.1 %
Other nonoperating revenues	0.4 %	0.4 %	0.5 %	0.3 %	0.3 %	0.4 %	0.4 %	0.4 %	0.5 %	0.5 %	0.5 %
Non-operating revenues	0.7 %	1.0 %	0.6 %	0.5 %	0.9 %	1.1 %	0.4 %	1.5 %	1.1 %	(0.1)%	0.7 %
<b>Total Revenues -- University Medical Associates</b>	<b>39.1 %</b>	<b>38.8 %</b>	<b>39.4 %</b>	<b>37.8 %</b>	<b>38.1 %</b>	<b>37.6 %</b>	<b>38.1 %</b>	<b>38.3 %</b>	<b>38.2 %</b>	<b>37.6 %</b>	<b>34.5 %</b>
<b>Nonmajor Enterprise Funds</b>											
Interest income	— %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %	0.3 %	0.3 %
Other operating revenues	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Operating revenues	— %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %	0.3 %	0.3 %
Other nonoperating revenues	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Nonoperating revenues	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
<b>Total Revenues -- Nonmajor Enterprise Funds</b>	<b>— %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.2 %</b>	<b>0.2 %</b>	<b>0.2 %</b>	<b>0.3 %</b>	<b>0.3 %</b>
<b>Interfund Capital Leases Elimination</b>	<b>— %</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>	<b>(0.3)%</b>
<b>Total Revenues -- Primary Government</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF EXPENSES BY USE  
LAST TEN FISCAL YEARS**

Expenses	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>The University</b>										
Compensation and employee benefits	\$ 408,417	\$ 393,688	\$ 382,530	\$ 360,615	\$ 344,183	\$ 341,377	\$ 328,526	\$ 315,643	\$ 288,819	\$ 302,542
Pension Benefits	20,742	17,452	6,308	3,450	—	—	—	—	—	—
OPEB Expense	11,577	—	—	—	—	—	—	—	—	—
Services and supplies	267,138	243,347	212,435	210,265	191,427	201,935	198,467	203,730	204,134	184,695
Utilities	14,466	14,432	14,542	14,201	13,488	13,332	13,123	11,868	11,145	10,962
Scholarships and fellowships	10,279	10,868	11,282	12,102	13,517	10,880	9,653	9,252	8,614	8,795
Depreciation	38,762	38,468	40,453	40,325	39,610	41,088	40,318	34,687	30,947	27,223
Operating expenses	771,381	718,255	667,549	640,958	602,225	608,612	590,087	575,180	543,659	534,217
Refunds to grantors	—	—	—	—	—	—	—	319	406	137
Interest expense	6,226	6,890	7,036	7,007	7,586	8,071	7,934	9,070	8,677	5,217
(Gain) Loss on disposal of capital assets	236	280	(9,731)	(6,971)	7,125	1,087	1,490	748	959	712
Transfers to other state funds	502	323	415	520	462	182	121	185	198	250
Other nonoperating expenses	7,044	4,092	28,722	20,033	10,900	3,152	—	—	—	36
Nonoperating expenses	14,008	11,586	26,442	20,589	26,073	12,492	9,545	10,322	10,240	6,352
<b>Total Expenses -- The University</b>	<b>\$ 785,389</b>	<b>\$ 729,842</b>	<b>\$ 693,992</b>	<b>\$ 661,547</b>	<b>\$ 628,298</b>	<b>\$ 621,104</b>	<b>\$ 599,632</b>	<b>\$ 585,502</b>	<b>\$ 553,899</b>	<b>\$ 540,569</b>
<b>University Medical Associates</b>										
Compensation and employee benefits	\$ 240,792	\$ 236,351	\$ 221,236	\$ 202,105	\$ 191,561	\$ 193,633	\$ 184,872	\$ 178,441	\$ 174,552	\$ 169,440
Services and supplies	81,149	73,275	68,687	71,409	64,703	61,359	59,706	58,494	58,037	55,121
Utilities	1,014	830	923	621	588	588	526	547	447	389
Depreciation	5,606	6,857	6,804	6,271	5,562	5,540	3,097	3,065	3,135	3,314
Operating expenses	328,561	317,313	297,651	280,406	262,414	261,120	248,201	240,547	236,171	228,264
Gifts made	8,609	4,475	2,826	1,164	4,723	3,178	7,372	9,461	9,914	5,525
Interest expense	4,087	4,103	4,312	4,136	4,156	4,401	4,168	4,126	4,373	6,363
(Gain) Loss on disposal of capital assets	19	—	—	6	3	72	66	—	6	221
Nonoperating expenses	12,715	8,578	7,138	5,306	8,882	7,651	11,606	13,587	14,293	12,109
<b>Total Expenses -- University Medical Associates</b>	<b>\$ 341,276</b>	<b>\$ 325,891</b>	<b>\$ 304,789</b>	<b>\$ 285,712</b>	<b>\$ 271,296</b>	<b>\$ 268,771</b>	<b>\$ 259,807</b>	<b>\$ 254,134</b>	<b>\$ 250,464</b>	<b>\$ 240,373</b>
<b>Nonmajor Enterprise Funds</b>										
Services and supplies	\$ 7	\$ 8	\$ 7	\$ 45	\$ 7	\$ 1	—	—	—	—
Interest expense	347	403	532	667	908	1,305	1,694	1,866	2,031	2,173
Amortization	156	156	156	156	156	237	281	281	281	281
Operating expenses	510	567	695	868	1,071	1,543	1,975	2,147	2,312	2,454
Nonoperating expenses	—	—	—	—	—	—	—	—	—	—
<b>Total Expenses -- Nonmajor Enterprise Funds</b>	<b>\$ 510</b>	<b>\$ 567</b>	<b>\$ 695</b>	<b>\$ 868</b>	<b>\$ 1,071</b>	<b>\$ 1,543</b>	<b>\$ 1,975</b>	<b>\$ 2,147</b>	<b>\$ 2,312</b>	<b>\$ 2,454</b>
<b>Interfund Capital Leases Elimination</b>	<b>(506)</b>	<b>(569)</b>	<b>(714)</b>	<b>(877)</b>	<b>(1,028)</b>	<b>(1,220)</b>	<b>(1,421)</b>	<b>(1,586)</b>	<b>(1,739)</b>	<b>(1,883)</b>
<b>Total Expenses -- Primary Government</b>	<b>\$ 1,126,669</b>	<b>\$ 1,055,731</b>	<b>\$ 998,762</b>	<b>\$ 947,250</b>	<b>\$ 899,637</b>	<b>\$ 890,198</b>	<b>\$ 859,993</b>	<b>\$ 840,197</b>	<b>\$ 804,936</b>	<b>\$ 781,513</b>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, for fiscal year 2015 which now reflects current year amortization of pension expense. This will be presented for fiscal 2015 forward.

The University implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for fiscal year 2018 which now reflects current year amortization of OPEB expense. This will be presented for fiscal 2018 forward.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF EXPENSES BY USE  
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (percent of total expenses)									
	2,018	2,017	2,016	2,015	2,014	2,013	2,012	2,011	2,010	2,009
<b>Expenses</b>										
<b>The University</b>										
Compensation and employee benefits	36.3 %	37.4 %	38.2 %	38.1 %	38.2 %	38.4 %	38.2 %	37.6 %	35.9 %	38.7 %
Pension benefits	1.8 %	1.7 %	0.6 %	0.4 %	— %	— %	— %	— %	— %	— %
OPEB Expense	1.0 %									
Services and supplies	23.7 %	23.1 %	21.3 %	22.2 %	21.3 %	22.7 %	23.1 %	24.2 %	25.4 %	23.7 %
Utilities	1.3 %	1.4 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %	1.4 %	1.4 %	1.4 %
Scholarships and fellowships	0.9 %	1.0 %	1.1 %	1.3 %	1.5 %	1.2 %	1.1 %	1.1 %	1.0 %	1.1 %
Depreciation	3.4 %	3.6 %	4.1 %	4.3 %	4.4 %	4.6 %	4.7 %	4.1 %	3.8 %	3.5 %
Operating expenses	68.5 %	68.1 %	66.8 %	67.7 %	66.9 %	68.4 %	68.6 %	68.4 %	67.5 %	68.4 %
Refunds to grantors	— %	— %	— %	— %	— %	— %	— %	— %	0.1 %	— %
Interest expense	0.6 %	0.7 %	0.7 %	0.7 %	0.8 %	0.9 %	0.8 %	1.1 %	1.1 %	0.7 %
(Gain) Loss on disposal of capital assets	— %	— %	(1.0)%	(0.7)%	0.8 %	0.1 %	0.3 %	0.2 %	0.1 %	0.1 %
Transfers to other state funds	— %	— %	— %	0.1 %	0.1 %	— %	— %	— %	— %	— %
Other nonoperating expenses	0.6 %	0.4 %	2.9 %	2.1 %	1.2 %	0.4 %	— %	— %	— %	— %
Nonoperating expenses	1.2 %	1.1 %	2.6 %	2.2 %	2.9 %	1.4 %	1.1 %	1.3 %	1.3 %	0.8 %
<b>Total Expenses -- The University</b>	<b>69.7 %</b>	<b>69.2 %</b>	<b>69.4 %</b>	<b>69.9 %</b>	<b>69.8 %</b>	<b>69.8 %</b>	<b>69.7 %</b>	<b>69.7 %</b>	<b>68.8 %</b>	<b>69.2 %</b>
<b>University Medical Associates</b>										
Compensation and employee benefits	21.4 %	22.5 %	22.2 %	21.3 %	21.3 %	21.7 %	21.5 %	21.2 %	21.7 %	21.7 %
Services and supplies	7.2 %	6.9 %	6.9 %	7.5 %	7.2 %	6.9 %	6.9 %	7.0 %	7.2 %	7.1 %
Utilities	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	— %
Depreciation	0.5 %	0.6 %	0.7 %	0.7 %	0.6 %	0.6 %	0.4 %	0.4 %	0.4 %	0.4 %
Operating expenses	29.2 %	30.1 %	29.9 %	29.6 %	29.2 %	29.3 %	28.9 %	28.7 %	29.4 %	29.2 %
Gifts made	0.8 %	0.4 %	0.3 %	0.1 %	0.5 %	0.4 %	0.9 %	1.1 %	1.2 %	0.7 %
Interest expense	0.4 %	0.4 %	0.4 %	0.4 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %	0.8 %
(Gain) Loss on disposal of capital assets	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Nonoperating expenses	1.1 %	0.8 %	0.7 %	0.5 %	1.0 %	0.9 %	1.4 %	1.6 %	1.7 %	1.5 %
<b>Total Expenses -- University Medical Associates</b>	<b>30.3 %</b>	<b>30.9 %</b>	<b>30.6 %</b>	<b>30.1 %</b>	<b>30.2 %</b>	<b>30.2 %</b>	<b>30.3 %</b>	<b>30.3 %</b>	<b>31.1 %</b>	<b>30.7 %</b>
<b>Nonmajor Enterprise Funds</b>										
Services and supplies	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Interest expense	— %	— %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.3 %	0.3 %
Amortization	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Operating expenses	— %	— %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.3 %	0.3 %
Nonoperating expenses	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
<b>Total Expenses -- Nonmajor Enterprise Funds</b>	<b>— %</b>	<b>— %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.2 %</b>	<b>0.2 %</b>	<b>0.3 %</b>	<b>0.3 %</b>
<b>Interfund Capital Leases Elimination</b>	<b>— %</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>	<b>(0.2)%</b>
<b>Total Expenses -- Primary Government</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, for fiscal year 2015 which now reflects current year amortization of pension expense. This will be presented for fiscal 2015 forward.

The University implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for fiscal year 2018 which now reflects current year amortization of OPEB expense. This will be presented for fiscal 2018 forward.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.



**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY  
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	(amounts expressed in thousands \$)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses by function:</b>										
Instruction	\$ 216,169	\$ 194,938	\$ 187,241	\$ 187,337	\$ 172,648	\$ 195,119	\$ 191,499	\$ 195,634	\$ 187,876	\$ 192,271
Research	212,074	197,501	184,596	171,551	170,663	178,477	169,997	169,227	148,542	140,638
Public service	87,581	81,917	78,658	75,818	73,866	45,580	45,137	45,523	43,018	40,452
Academic support	59,563	60,332	59,531	53,929	46,243	45,032	36,898	33,035	36,590	38,332
Student services	9,771	9,027	8,793	8,713	8,140	8,388	8,258	8,596	10,321	9,881
Institutional support	81,589	63,789	47,134	42,307	33,449	38,686	36,400	36,793	37,015	34,203
Operation and maintenance of plant	90,293	95,748	86,938	86,660	83,325	83,346	86,833	72,371	69,385	67,919
Scholarships and fellowships	2,736	3,797	3,602	3,948	3,673	3,321	3,068	3,385	3,176	3,653
Auxiliary enterprises	11,605	11,206	11,056	10,695	10,218	10,663	11,997	10,616	7,736	6,868
Refunds to grantors	—	—	—	—	—	—	—	319	406	137
Interest expense	6,226	6,890	7,036	7,007	7,586	8,071	7,934	9,070	8,677	5,217
(Gain) loss on disposal of capital assets	236	280	(9,731)	(6,971)	7,125	1,087	1,490	748	959	712
Transfers to other State funds	502	323	415	520	462	182	121	185	198	250
Other non-operating expenses	7,044	4,092	28,722	20,033	10,900	3,152	—	—	—	36
<b>Total expenses by function</b>	<b>\$ 785,389</b>	<b>\$ 729,840</b>	<b>\$ 693,991</b>	<b>\$ 661,547</b>	<b>\$ 628,298</b>	<b>\$ 621,104</b>	<b>\$ 599,632</b>	<b>\$ 585,502</b>	<b>\$ 553,899</b>	<b>\$ 540,569</b>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY  
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	(percent of total expenses)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses:</b>										
Instruction	27.5%	27%	27 %	28 %	28%	31%	32%	33%	34%	36%
Research	27.0%	27%	27 %	26 %	27%	29%	28%	29%	27%	26%
Public services	11.2%	11%	11 %	12 %	12%	7%	8%	8%	8%	8%
Academic support	7.6%	8%	9 %	8 %	7%	7%	6%	6%	7%	7%
Student services	1.2%	1%	1 %	1 %	1%	1%	1%	2%	2%	2%
Institutional support	10.4%	9%	7 %	6 %	5%	6%	6%	6%	7%	6%
Operation and maintenance of plant	11.5%	13%	13 %	13 %	13%	13%	15%	12%	13%	13%
Scholarships and fellowships	0.3%	1%	1 %	1 %	1%	1%	1%	1%	1%	1%
Auxiliary enterprises	1.5%	2%	2 %	2 %	2%	2%	2%	2%	1%	1%
Refunds to grantors	—%	—%	— %	— %	—%	—%	—%	—%	—%	—%
Interest expense	0.8%	1%	1 %	1 %	1%	1%	1%	2%	2%	1%
(Gain) loss on disposal of capital assets	—%	—%	(1)%	(1)%	1%	—%	—%	—%	—%	—%
Transfers to other State funds	0.1%	—%	— %	— %	—%	—%	—%	—%	—%	—%
Other non-operating expenses	0.9%	1%	4 %	3 %	2%	1%	—%	—%	—%	—%
<b>Total expenses</b>	<b>100.0%</b>	<b>100%</b>	<b>100 %</b>	<b>100 %</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF NET POSITION  
LAST TEN FISCAL YEARS**

For the Year Ended June 30,  
(amounts expressed in thousands \$)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>The University</b>										
Net investment in capital assets	\$ 318,787	\$ 335,944	\$ 350,909	\$ 365,045	\$ 376,357	\$ 388,791	\$ 397,994	\$ 399,743	\$ 365,977	\$ 327,486
Restricted - nonexpendable	91,315	90,977	90,352	87,960	85,025	79,072	76,514	66,754	52,446	42,430
Restricted - expendable	99,702	93,063	83,504	93,767	94,912	74,979	52,742	43,905	31,102	26,075
Unrestricted	(675,452)	(210,187)	(214,302)	(236,245)	75,769	75,867	71,901	71,796	68,914	58,595
Net position -- The University	(165,648)	309,797	310,463	310,527	632,063	618,709	599,151	582,198	518,439	454,586
<b>University Medical Associates</b>										
Net investment in capital assets	55,298	55,300	58,721	57,837	45,657	45,325	46,071	17,452	11,681	10,563
Restricted - expendable	—	—	—	—	—	—	—	—	—	—
Unrestricted	216,601	188,212	174,973	170,244	180,865	170,106	161,834	180,712	151,466	124,368
Net position -- University Medical Associates	271,899	243,512	233,695	228,081	226,522	215,431	207,905	198,164	163,147	134,931
<b>Nonmajor Enterprise Funds</b>										
Restricted - expendable	1,208	1,220	1,272	1,242	1,229	1,277	2,359	2,070	1,766	1,496
Unrestricted	—	—	—	—	—	—	—	—	—	—
Net position -- Nonmajor Enterprise Funds	1,208	1,220	1,272	1,242	1,229	1,277	2,359	2,070	1,766	1,496
Net position - Primary Government	\$ 107,459	\$ 554,529	\$ 545,430	\$ 539,850	\$ 859,814	\$ 835,417	\$ 809,415	\$ 782,432	\$ 683,352	\$ 591,013
<b>Total Primary Government</b>										
Net investment in capital assets	374,086	\$ 391,244	\$ 409,630	\$ 422,882	\$ 422,014	\$ 434,116	\$ 444,065	\$ 417,195	\$ 377,658	\$ 338,049
Restricted - nonexpendable	91,315	90,977	90,352	87,960	85,025	79,072	76,514	66,754	52,446	42,430
Restricted - expendable	100,909	94,283	84,776	95,009	96,141	76,256	55,101	45,975	32,868	27,571
Unrestricted	(458,851)	(21,975)	(39,329)	(66,001)	256,634	245,973	233,735	252,508	220,380	182,963
Net position - Primary Government	\$ 107,459	\$ 554,529	\$ 545,430	\$ 539,850	\$ 859,814	\$ 835,417	\$ 809,415	\$ 782,432	\$ 683,352	\$ 591,013

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for fiscal year 2015. This schedule reflects comparative data pre-2015 as it was originally recorded prior to the implementation of GASB 68 as this information is not available for any fiscal year prior to 2015.

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for fiscal year 2018. This schedule reflects comparative data pre-2018 as it was originally recorded prior to the implementation of GASB 75 as this information is not available for any fiscal year prior to 2018.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>The University</b>										
Income (loss) before other revenues, expenses, gains or losses	\$ (96,917)	\$ (81,523)	\$ (101,526)	\$ (65,076)	\$ (63,527)	\$ (61,644)	\$ (73,235)	\$ (44,073)	\$ (35,125)	\$ (50,046)
State capital appropriations	—	1,532	25,665	1,095	4,623	13,280	21,160	23,638	22,005	2,523
Capital grants and gifts	818	3,599	335	421	2,583	4,710	5,362	24,402	25,669	6,357
Additions to permanent endowments	337	626	2,391	2,935	5,953	2,549	9,749	14,293	9,998	10,698
Interfund transfers	71,249	75,100	73,070	76,152	64,459	60,663	53,917	45,499	41,306	44,926
Changes in net position -- The University	(24,513)	(665)	(64)	15,527	14,091	19,558	16,953	63,759	63,853	14,458
<b>University Medical Associates</b>										
Income before other revenues, expenses, gains or losses	99,838	84,818	78,631	77,648	76,341	67,319	64,311	81,177	70,423	55,737
Interfund transfers	(71,218)	(75,001)	(73,018)	(76,089)	(64,759)	(59,793)	(54,570)	(46,160)	(42,207)	(45,758)
Special item - disposition of primary care practice	—	—	—	—	—	—	—	—	—	—
Changes in net position -- University Medical Associates	28,620	9,818	5,613	1,559	11,582	7,526	9,741	35,017	28,216	9,979
<b>Nonmajor Enterprise Funds</b>										
Income (loss) before other revenues, expenses, gains or losses	20	46	83	76	19	(212)	(364)	(357)	(383)	(363)
Interfund transfers	(32)	(99)	(52)	(63)	300	(870)	653	661	653	584
Liquidation gain	—	—	—	—	—	—	—	—	—	—
Changes in net position -- Nonmajor Enterprise Funds	(12)	(52)	31	13	319	(1,082)	289	304	270	221
<b>Primary Government</b>										
Total changes in net position	4,095	9,100	5,580	17,099	25,992	26,002	26,983	99,080	92,339	24,658
Net position beginning (as restated for FY 2017, 2015 & 2014)	103,364	545,534	539,850	522,751	833,822	809,415	782,432	683,352	591,013	566,355
Net position ending	<u>\$ 107,459</u>	<u>\$ 554,530</u>	<u>\$ 545,430</u>	<u>\$ 539,850</u>	<u>\$ 859,814</u>	<u>\$ 835,417</u>	<u>\$ 809,415</u>	<u>\$ 782,432</u>	<u>\$ 683,352</u>	<u>\$ 591,013</u>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. While the net position at the beginning of fiscal year 2014 was adjusted for the GASB 65 impact, the above schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for fiscal year 2015. This schedule reflects comparative data pre-2015 as it was originally recorded prior to the implementation of GASB 68 as this information is not available for any fiscal year prior to 2015.

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for fiscal year 2018. This schedule reflects comparative data pre-2018 as it was originally recorded prior to the implementation of GASB 75 as this information is not available for any fiscal year prior to 2018.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – PRIMARY GOVERNMENT  
LAST TEN FISCAL YEARS**

**For the Year Ended June 30,**

(dollars expressed in thousands except for debt per capita)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>The University</b>										
General obligation bonds payable	\$ 43,430	\$ 48,050	\$ 52,985	\$ 35,070	\$ 39,280	\$ 43,505	\$ 47,660	\$ 52,745	\$ 37,300	\$ 40,690
State bond anticipation notes	—	—	—	26,500	28,000	28,000	28,000	30,000	30,000	30,000
Revenue bonds	23,765	25,115	28,495	29,855	31,160	32,415	33,625	34,785	35,900	36,975
Energy note payable	—	—	—	—	—	3,215	6,043	7,882	14,374	15,387
Capital lease obligations	82	98	73	349	577	835	1,213	1,555	1,899	3,354
Premium on general obligation & revenue bonds	4,740	5,525	3,945	936	1,237	1,571	1,920	—	—	—
Due to component unit	41,578	42,352	43,069	43,732	44,346	44,914	45,440	45,927	46,378	46,736
Interfund payables	10,843	12,214	13,845	16,285	18,563	20,690	25,787	29,006	32,045	34,920
<b>Total debt -- The University</b>	<b>\$ 124,438</b>	<b>\$ 133,354</b>	<b>\$ 142,412</b>	<b>\$ 152,727</b>	<b>\$ 163,163</b>	<b>\$ 175,145</b>	<b>\$ 189,688</b>	<b>\$ 201,900</b>	<b>\$ 197,896</b>	<b>\$ 208,062</b>
<b>University Medical Associates</b>										
Variable rate debt	62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085
Notes payable	12,587	17,693	22,765	27,761	17,378	21,169	24,961	28,801	32,663	36,335
Capital lease obligations	687	291	673	—	—	—	—	—	28	90
<b>Total debt -- University Medical Associates</b>	<b>\$ 75,358</b>	<b>\$ 80,069</b>	<b>\$ 85,523</b>	<b>\$ 89,846</b>	<b>\$ 79,463</b>	<b>\$ 83,254</b>	<b>\$ 87,046</b>	<b>\$ 90,886</b>	<b>\$ 94,776</b>	<b>\$ 98,510</b>
<b>Nonmajor Funds</b>										
Revenue bonds payable	—	—	\$ 820	\$ 1,969	\$ 3,039	\$ 4,031	\$ 4,954	\$ 5,812	\$ 6,609	\$ 7,350
Notes payable	12,040	13,575	15,065	16,515	17,920	19,290	27,600	30,325	32,925	35,405
Premium on notes payable	—	—	—	—	—	—	61	67	72	77
<b>Total debt -- Nonmajor Funds</b>	<b>\$ 12,040</b>	<b>\$ 13,575</b>	<b>\$ 15,885</b>	<b>\$ 18,484</b>	<b>\$ 20,959</b>	<b>\$ 23,321</b>	<b>\$ 32,615</b>	<b>\$ 36,204</b>	<b>\$ 39,606</b>	<b>\$ 42,832</b>
<b>Interfund Capital Leases Elimination</b>	<b>\$ (10,843)</b>	<b>\$ (12,214)</b>	<b>\$ (13,845)</b>	<b>\$ (16,285)</b>	<b>\$ (18,563)</b>	<b>\$ (20,690)</b>	<b>\$ (25,787)</b>	<b>\$ (29,006)</b>	<b>\$ (32,045)</b>	<b>\$ (34,920)</b>
<b>Total debt -- Primary Government</b>	<b>\$ 200,993</b>	<b>\$ 214,784</b>	<b>\$ 229,975</b>	<b>\$ 244,772</b>	<b>\$ 245,022</b>	<b>\$ 261,030</b>	<b>\$ 283,562</b>	<b>\$ 299,984</b>	<b>\$ 300,233</b>	<b>\$ 314,484</b>
<b>Total debt as percentage of personal income</b>	0.10%	0.12%	0.12%	0.13%	0.14%	0.16%	0.18%	0.20%	0.20%	0.21%
<b>Total debt per capita</b>	<b>\$ 40</b>	<b>\$ 45</b>	<b>\$ 48</b>	<b>\$ 51</b>	<b>\$ 51</b>	<b>\$ 55</b>	<b>\$ 61</b>	<b>\$ 65</b>	<b>\$ 66</b>	<b>\$ 70</b>

Source: Medical University of South Carolina Comprehensive Annual Financial Reports

**SCHEDULE OF BOND COVERAGE – UNIVERSITY  
LAST TEN FISCAL YEARS**

(amounts expressed in thousands except for coverage ratio)

**State Institution Bonds (Note 1)**

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2018	\$ 6,635	\$ 6,635	\$ 4,620	\$ 2,096	\$ 6,716	0.99
2017	7,463	7,463	4,935	2,433	7,368	1.01
2016	8,187	8,187	4,360	1,525	5,885	1.39
2015	8,466	8,466	4,210	1,698	5,908	1.43
2014	9,861	9,861	4,225	1,867	6,092	1.62
2013	6,924	6,924	4,155	1,988	6,143	1.13
2012	8,502	8,502	4,060	2,211	6,271	1.36
2011	10,656	10,656	3,505	1,568	5,073	2.10
2010	8,612	8,612	3,390	1,717	5,107	1.69
2009	8,400	8,400	3,270	1,858	5,128	1.64
2008	8,400	8,400	3,135	1,992	5,127	1.64
2007	8,400	8,400	3,495	2,162	5,657	1.48
2006	8,400	8,400	3,475	2,300	5,775	1.45

Note 1: Bonds secured by tuition revenue.

Source: The Medical University of South Carolina Controller's Office.

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UNIVERSITY  
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	(dollars expressed in thousands except for outstanding debt per student)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General obligation bonds payable, net	\$ 43,430	\$ 48,050	\$ 52,985	\$ 35,070	\$ 39,280	\$ 43,505	\$ 47,660	\$ 52,745	\$ 37,300	\$ 40,690
State bond anticipation notes	—	—	—	26,500	28,000	28,000	28,000	30,000	30,000	30,000
Revenue bonds, net	23,765	25,115	28,495	29,855	31,160	32,415	33,625	34,785	35,900	36,975
Energy note payable	—	—	—	—	—	3,215	6,043	7,882	14,374	15,387
Capital lease obligations	82	98	73	349	577	835	1,213	1,555	1,899	3,354
Premium on general obligation & revenue bonds	4,740	5,525	3,945	936	1,237	1,571	1,920	—	—	—
Due to component unit	41,578	42,352	43,069	43,732	44,346	44,914	45,440	45,927	46,378	46,736
Interfund payables	10,843	12,214	13,845	16,285	18,563	20,690	25,787	29,006	32,045	34,920
<b>Total outstanding debt</b>	<b>\$ 124,438</b>	<b>\$ 133,354</b>	<b>\$ 142,412</b>	<b>\$ 152,727</b>	<b>\$ 163,163</b>	<b>\$ 175,145</b>	<b>\$ 189,688</b>	<b>\$ 201,900</b>	<b>\$ 197,896</b>	<b>\$ 208,062</b>
<b>Full-time equivalent students</b>	<b>3,370</b>	<b>3,403</b>	<b>3,307</b>	<b>3,230</b>	<b>3,133</b>	<b>3,101</b>	<b>3,015</b>	<b>2,871</b>	<b>2,776</b>	<b>2,755</b>
<b>Outstanding debt per student</b>	<b>\$ 36,925</b>	<b>\$ 39,187</b>	<b>\$ 43,064</b>	<b>\$ 47,284</b>	<b>\$ 52,079</b>	<b>\$ 56,480</b>	<b>\$ 62,915</b>	<b>\$ 70,324</b>	<b>\$ 71,288</b>	<b>\$ 75,522</b>

Note: Outstanding debt per student was calculated using full-time equivalent student enrollment data for the fiscal year's Fall term.

Source: Medical University of South Carolina Comprehensive Annual Financial Reports and Office of Enrollment Services.



**SCHEDULE OF PLEDGED REVENUE COVERAGE – UMA  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Net Clinical	Less	Net	Variable Rate Securities and Notes Payable			Coverage
	Service Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	
2018	\$ 418,093,723	\$319,341,693	\$ 98,752,030	\$ 5,106,500	\$ 2,480,297	\$ 7,586,797	13.02
2017	382,885,000	306,833,581	76,051,419	5,071,500	2,478,902	7,550,402	10.07
2016	362,672,184	287,100,762	75,571,422	4,996,500	2,696,225	7,692,725	9.82
2015	343,763,825	270,316,328	73,447,497	4,996,501	2,484,940	7,481,441	9.82
2014	323,759,830	254,028,360	69,731,470	3,791,500	2,615,843	6,407,343	10.88
2013	312,252,374	253,608,704	58,643,670	3,791,500	2,765,778	6,557,278	8.94
2012	302,262,422	243,650,380	58,612,042	3,791,500	2,897,984	6,689,484	8.76
2011	308,747,008	235,697,837	73,049,171	3,791,500	4,110,334	7,901,834	9.24
2010	293,847,793	231,133,793	62,714,000	3,791,500	4,355,901	8,147,401	7.70
2009	276,251,035	222,963,991	53,287,044	1,579,792	6,668,058	8,247,850	6.46

Note: Operating expenses are net of Ambulatory Care Clinical Education Agreement expenses which are fully reimbursed under the agreement.

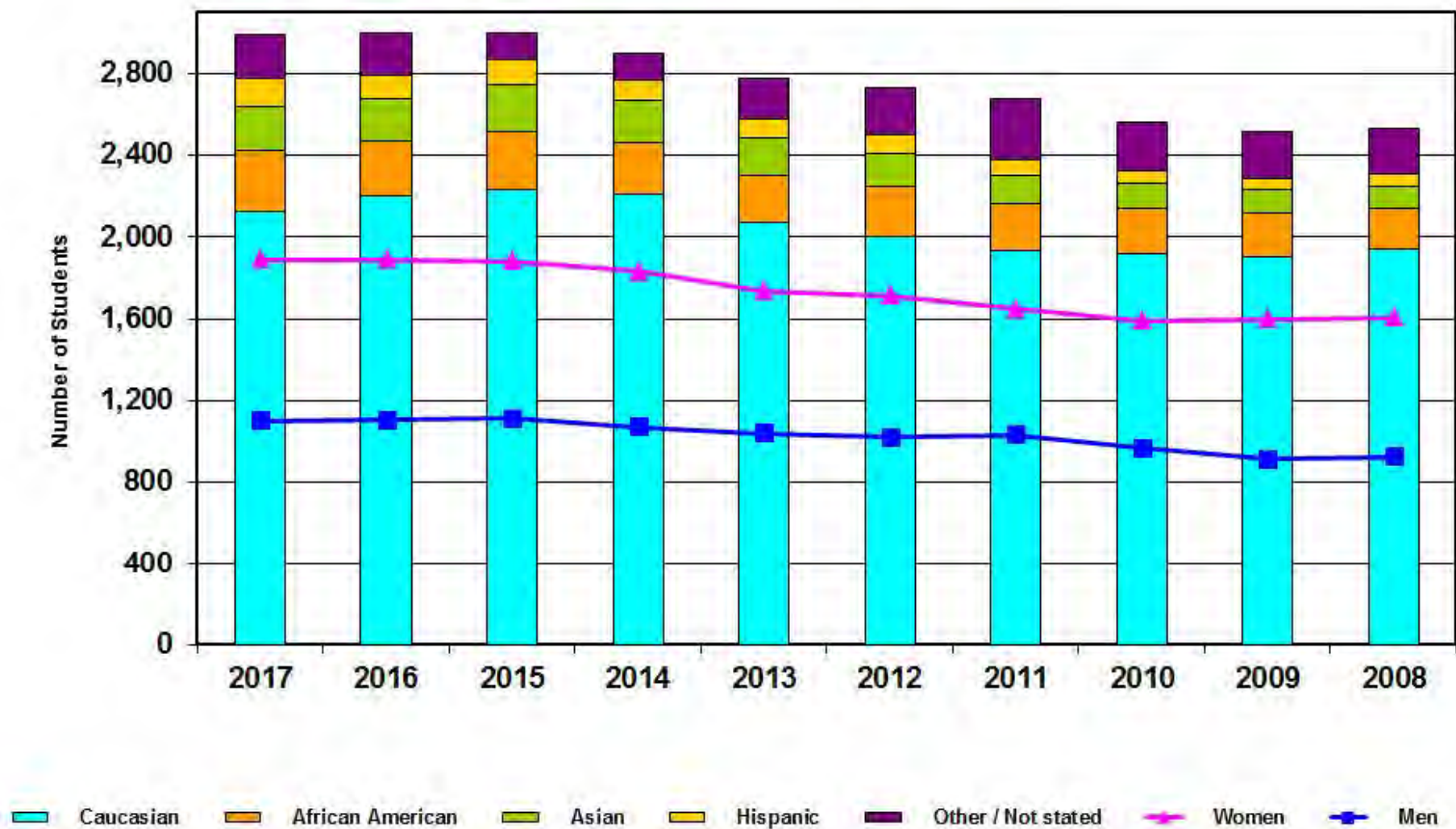
Source: University Medical Associates Comprehensive Annual Financial Reports.

**ENROLLMENT STATISTICS – UNIVERSITY  
LAST TEN ACADEMIC YEARS  
FALL ENROLLMENTS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b><u>ENROLLMENT</u></b>										
<b>LEVEL</b>										
Undergraduate	303	306	324	293	205	204	200	237	267	319
Graduate	1,330	1,340	1,319	1,267	1,243	1,233	1,211	1,051	1,027	1,032
First Professional	1,352	1,350	1,352	1,340	1,329	1,294	1,268	1,272	1,220	1,181
Certificates	4	—	—	—	—	—	—	—	—	—
<b>STATUS</b>										
Full-Time	2,786	2,794	2,790	2,689	2,593	2,568	2,518	2,360	2,287	2,261
Part-Time	203	202	205	211	184	163	161	200	227	271
<b>ORIGIN</b>										
In State	2,073	2,092	2,113	2,075	1,988	1,954	1,987	1,939	1,908	1,941
Out of State	860	854	828	779	748	704	571	580	567	547
Foreign	56	50	54	46	41	73	121	41	39	44
<b>RACE/ETHNICITY</b>										
Caucasian	2,124	2,200	2,230	2,208	2,069	2,001	1,931	1,917	1,904	1,942
African American	298	267	286	254	232	245	231	221	212	198
Asian	217	211	233	207	185	166	141	122	114	110
Hispanic	135	115	118	103	93	87	76	66	60	56
Other / Not stated	215	203	128	128	198	232	300	234	224	226
<b>GENDER</b>										
Women	1,888	1,891	1,883	1,832	1,739	1,711	1,648	1,593	1,601	1,607
Men	1,101	1,105	1,112	1,068	1,038	1,020	1,031	967	913	925
<b>COLLEGES</b>										
Medicine	773	768	758	725	719	706	695	697	670	642
Pharmacy	322	321	321	323	322	318	316	320	315	314
Nursing	561	568	570	563	458	439	410	374	351	343
Graduate Studies	198	212	222	204	190	220	240	152	159	182
Dental Medicine	320	322	317	314	309	292	279	255	235	225
Health Professions	792	789	782	764	770	750	723	737	760	802
Non-Degree Seeking	23	16	25	7	9	6	16	25	24	24
<b>Total enrollment</b>	<b>2,989</b>	<b>2,996</b>	<b>2,995</b>	<b>2,900</b>	<b>2,777</b>	<b>2,731</b>	<b>2,679</b>	<b>2,560</b>	<b>2,514</b>	<b>2,532</b>

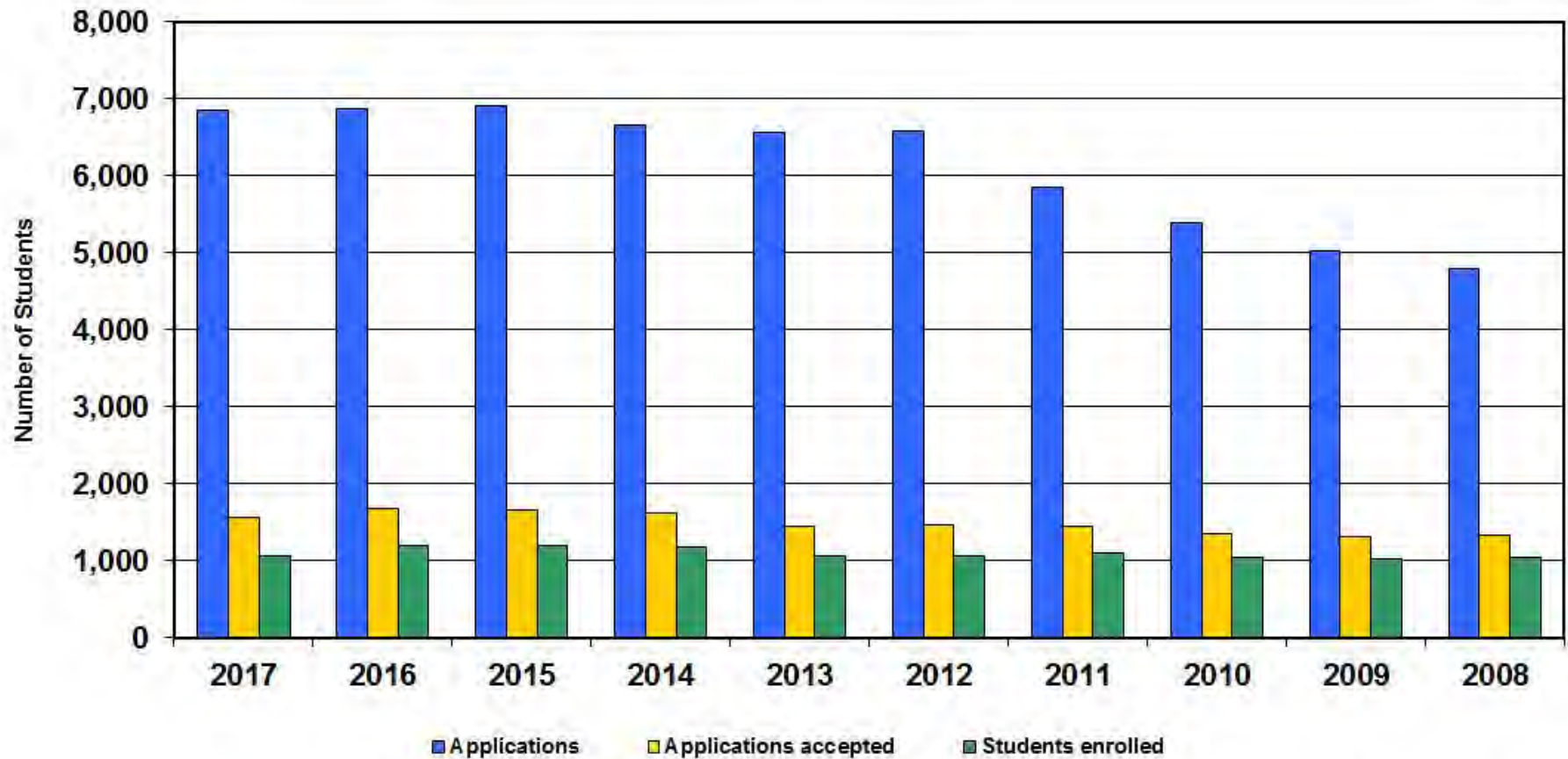
Source: Medical University of South Carolina Office of Enrollment Services.

## University Enrollment by Race/Ethnicity and Gender



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## University Admissions



**ANNUAL TUITION BY COLLEGE – UNIVERSITY  
LAST TEN ACADEMIC YEARS**

<b><u>RESIDENT</u></b>										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Undergraduate</b>										
Health Professions	\$ 22,752	\$ 22,752	\$ 22,752	\$ 22,371	\$ 21,717	\$ 21,501	\$ 21,051	\$ 20,250	\$ 19,374	\$ 17,361
Nursing	23,433	22,761	22,761	22,314	21,876	21,447	21,027	20,316	18,987	17,418
<b>Graduate</b>										
Dental Medicine	47,415	47,415	46,450	45,062	43,749	42,474	40,452	38,162	36,345	31,064
Graduate Studies	21,357	20,339	19,941	19,549	19,166	18,253	18,072	17,049	15,498	14,483
Health Professions	24,089	24,108	23,729	23,274	23,201	23,061	21,243	20,899	21,289	18,338
Medicine	33,988	33,388	33,388	33,388	33,388	33,388	33,388	31,204	29,438	25,598
Nursing	24,348	24,348	24,348	24,348	23,871	23,175	23,175	22,065	21,015	18,765
Pharmacy	26,045	25,290	24,554	23,863	23,120	22,446	21,794	20,757	19,411	17,647
<b><u>NON-RESIDENT</u></b>										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Undergraduate</b>										
Health Professions	\$ 34,773	\$ 34,773	\$ 34,773	\$ 34,191	\$ 33,195	\$ 32,865	\$ 32,415	\$ 30,870	\$ 35,726	\$ 46,767
Nursing	33,990	33,000	33,000	33,000	33,000	36,450	35,736	33,399	33,399	30,264
<b>Graduate</b>										
Dental Medicine	83,290	83,290	81,625	79,142	76,837	74,598	71,045	67,023	63,831	81,455
Graduate Studies	29,843	29,371	29,257	28,684	28,122	26,782	26,517	25,017	22,741	18,192
Health Professions	33,979	33,195	33,021	32,395	33,644	32,985	29,513	27,622	34,329	30,943
Medicine	60,750	59,852	59,852	59,852	59,852	59,852	59,852	55,936	52,770	72,380
Nursing	28,659	28,659	28,659	28,659	28,659	28,659	28,659	36,543	34,803	30,264
Pharmacy	38,890	37,755	36,669	35,637	34,534	33,527	32,550	31,000	29,000	35,294

- Notes: 1) Except for Medicine, the tuition calculation includes three semesters (Fall, Spring, and Summer) and does not include web-based programs.  
2) Effective 2009, Medicine discontinued its summer semester. For comparative purposes, all prior years for Medicine have been restated to reflect two semesters (Fall and Spring).  
3) Health Professions tuition calculation reflects an average of the individual programs.  
4) Graduate Studies tuition calculation includes Ph.D. students only.  
5) Pharmacy 2000-2007 reflects MUSC College of Pharmacy; 2008-2009 reflects South Carolina College of Pharmacy.

Source: Medical University of South Carolina Student Accounting Department.

OUTPATIENT VISITS BY SPECIALTY – UMA  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Specialty							Total
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	
2018	253,684 19.41%	32,008 2.45%	83,517 6.39%	150,867 11.55%	49,829 3.81%	54,688 4.19%	682,077 52.20%	1,306,670 100.00%
2017	241,454 18.87%	30,590 2.39%	84,203 6.58%	149,926 11.71%	47,027 3.67%	53,722 4.20%	672,860 52.58%	1,279,782 100.00%
2016	198,858 15.40%	26,252 2.03%	78,924 6.11%	117,072 9.07%	42,295 3.28%	42,582 3.30%	785,398 60.82%	1,291,381 100.00%
2015	194,823 15.96%	25,001 2.05%	74,721 6.12%	101,421 8.31%	42,702 3.50%	43,985 3.60%	737,924 60.46%	1,220,577 100.00%
2014	367,597 33.02%	47,628 4.28%	90,729 8.15%	131,759 11.83%	39,276 3.53%	75,724 6.80%	360,655 32.39%	1,113,368 100.00%
2013	352,813 31.42%	59,031 5.26%	102,941 9.17%	117,390 10.45%	37,420 3.33%	73,014 6.50%	380,357 33.87%	1,122,966 100.00%
2012	32.01%	57,454 4.98%	108,943 9.45%	105,986 9.19%	42,624 3.70%	72,351 6.27%	396,644 34.40%	1,153,081 100.00%
2011	380,642 32.87%	84,686 7.31%	112,231 9.69%	106,711 9.22%	45,027 3.89%	74,519 6.44%	354,160 30.58%	1,157,976 100.00%
2010	416,066 36.21%	104,881 9.13%	106,773 9.29%	113,969 9.92%	45,280 3.94%	73,177 6.37%	288,975 25.14%	1,149,121 100.00%
2009	360,190 33.79%	89,541 8.40%	104,763 9.83%	114,216 10.71%	53,049 4.98%	68,354 6.41%	275,993 25.88%	1,066,106 100.00%

Source: University Medical Associates Medical Records System.



**SOURCES OF GROSS CLINICAL SERVICE CHARGES – UMA  
LAST TEN FISCAL YEARS**

<u>Source</u>	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Medicare	38%	37%	36%	35%	35%	34%	32%	32%	32%	32%
Medicaid	20%	21%	22%	22%	24%	23%	21%	20%	19%	19%
Blue Cross/Blue Shield	26%	25%	23%	23%	23%	23%	25%	25%	25%	26%
Commercial insurance	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%
All other (including Managed Care)	15%	16%	18%	19%	17%	19%	21%	22%	22%	21%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: University Medical Associates Medical Records System.

**EMPLOYEE STATISTICS – UNIVERSITY**  
**LAST TEN YEARS**  
(AS OF JANUARY 1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Employees</b>										
Permanent Full-time and Part-time Employees										
Full-time classified	1,648	1,641	1,654	1,595	1,572	1,575	1,553	1,527	1,489	1,582
Part-time classified	43	44	40	42	39	37	49	49	48	52
Full-time unclassified	1,245	1,280	1,285	1,244	1,242	1,235	1,214	1,174	1,146	1,175
Part-time unclassified	325	311	310	297	295	266	262	250	242	250
Total	3,261	3,276	3,289	3,178	3,148	3,113	3,078	3,000	2,925	3,059
Other Categories										
Residents	770	825	726	713	716	694	664	642	639	622
Pre/post doctoral fellows	129	132	149	134	133	138	161	143	160	160
Temporary	1,211	1,330	1,249	1,173	1,150	1,083	1,092	1,117	1,001	982
Dual employment-other agencies	15	13	15	0	12	10	10	4	10	4
Total	2,125	2,300	2,139	2,020	2,011	1,925	1,927	1,906	1,810	1,768
<b>Total Employees</b>	<b>5,386</b>	<b>5,576</b>	<b>5,428</b>	<b>5,198</b>	<b>5,159</b>	<b>5,038</b>	<b>5,005</b>	<b>4,906</b>	<b>4,735</b>	<b>4,827</b>

Source: Medical University of South Carolina Office of Human Resources Management.

**EMPLOYEE STATISTICS – UMA  
LAST TEN FISCAL YEARS**

	Full-Time Equivalent Employees as of June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Departmental</b>										
Full-time	505	457	444	421	414	447	420	419	389	366
Part-time	17	49	44	38	35	33	13	17	13	17
Temporary	31	27	30	61	37	23	10	8	8	5
Total Departmental	553	533	518	520	486	503	443	444	410	388
<b>Corporate</b>										
Full-time	325	318	332	329	330	336	333	327	325	312
Part-time	1	5	3	7	8	9	1	1	1	6
Temporary	1	2	0	3	1	1	55	2	3	1
Total Corporate	327	325	335	339	339	346	389	330	329	319
<b>Ambulatory Care</b>										
Full-time	21	22	16	22	22	8	12	15	13	16
Part-time	—	0	0	0	0	0	0	0	0	0
Temporary	—	0	0	0	0	0	0	0	0	0
Total Ambulatory Care	21	22	16	22	22	8	12	15	13	16
Total Employees	901	880	869	881	847	857	844	789	752	723
Vacant Positions	134	108	183	167	180	130	177	95	122	70
<b>Total Authorized Positions</b>	<b>1,035</b>	<b>988</b>	<b>1,052</b>	<b>1,048</b>	<b>1,027</b>	<b>987</b>	<b>1,021</b>	<b>884</b>	<b>874</b>	<b>793</b>

Notes: Excludes physician members.

Source: University Medical Associates Human Resources.

**SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic buildings										
Net assignable square feet (in thousands)	2,732	2,846	2,825	2,830	2,863	2,779	2,999	2,722	2,611	2,215
Administrative and support buildings										
Net assignable square feet (in thousands)	371	444	427	429	432	395	421	371	315	412
Laboratories										
Net assignable square feet (in thousands)	407	407	409	417	402	385	402	359	620	356
Athletic Facilities										
Fitness center	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1	1	1
Squash courts	2	2	2	2	2	2	2	2	1	1
Indoor racquetball court	4	4	4	4	4	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3	3	3	3	3	3
Tennis court	4	4	4	4	4	4	4	4	4	4
Transportation:										
Airplane	—	—	—	—	—	—	—	—	1	1
Buses	18	17	16	12	12	12	12	12	12	12
Mobile health units	1	1	1	5	5	5	5	5	5	3
Mobile Shredder- Freightliner Truck	1									
Other vehicles	63	62	69	75	57	82	79	73	82	81

Source: Medical University of South Carolina Planning office & Medical University of South Carolina Property Control office.

DEMOGRAPHIC STATISTICS  
STATE OF SOUTH CAROLINA  
LAST TEN FISCAL YEARS

	Population as of July 1 (a)	Total Personal Income (1) (b)	Per Capita Income	Average Annual Unemployment Rate (c)
2017	5,024,369	\$203,088	\$40,421	4.3%
2016	4,961,119	195,791	39,465	4.9%
2015	4,893,991	186,286	38,041	5.9%
2014	4,832,482	178,485	36,934	6.4%
2013	4,774,839	171,088	35,831	7.8%
2012	4,723,723	165,595	35,056	9.4%
2011	4,673,348	159,745	34,182	10.3%
2010	4,635,835	151,536	32,688	11.2%
2009	4,561,242	148,601	32,579	11.7%
2008	4,503,280	150,167	33,346	6.9%
2007	4,424,232	143,769	32,496	5.6%

Note (1): Amounts expressed in millions.

Source: (a) U. S. Census Bureau; (b) U. S. Department of Commerce, Bureau of Economic Analysis; (c) U. S. Department of Labor, Bureau of Labor Statistics

**TEN LARGEST EMPLOYERS  
STATE OF SOUTH CAROLINA  
LATEST COMPLETED CALENDAR YEAR AND NINE YEARS PRIOR**  
*(listed alphabetically)*

<b>2017</b>	<b>2008</b>
U. S. Department of Defense	Bi-Lo, Inc.
Greenville Health System	Blue Cross/Blue Shield of South Carolina
Lowes Home Centers, Inc.	Greenville County School District
Michelin North America, Inc.	Greenville Hospital System
Palmetto Health Alliance, Inc.	Michelin Tire Corporation
Publix Super Markets, Inc.	Palmetto Health Alliance, Inc.
School District of Greenville County	U.S. Department of Defense
University of South Carolina	U.S. Postal Service
US Postal Service	University of South Carolina
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc.

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Employment Security Commission.